U.S. News
World Report

APRIL 1, 1955 20 CENTS

WHY RETAIL TRADE IS BOOMING

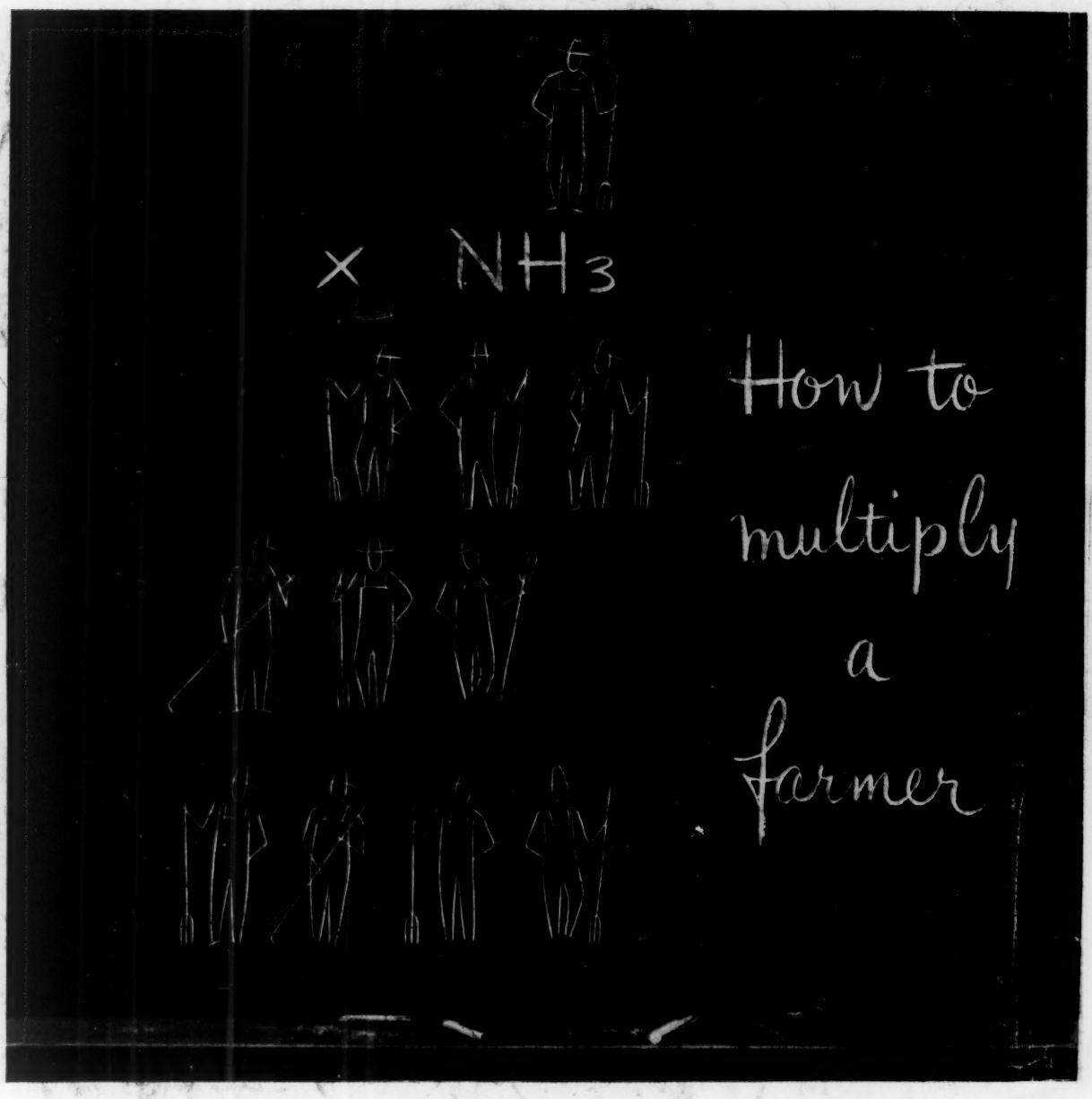
#13

EXPOSING—

THE "FLOP" OF A CENTURY

By MAX EASTMAN
World-Famous Ex-Socialist

Story of the FALLACIES and FAILURES of 100 years of socialism—from Marx to the "Social Democrats" in Europe and the "Left Liberals" in U.S. today



FIRST, machinery multiplied the farmer's ability to handle land. Now, *chemistry* increases yield and income per acre. An example is ammonia—NH_3—as a fertilizer. It usually returns four times its own cost by increasing crop yields.

Developed first by Shell Chemical, this ammonia fertilizer gives plants a concentrated (82%) supply of nitrogen. Applied on Western farms through irrigation waters or by injection into the soil, NH_3's nitrogen is absorbed *immediately* by young roots to build chlorophyll that speeds growth, promotes larger, healthier crops. Added labor? None, if the farmer so elects; Shell Chemical's distributors will handle the whole job, supplying all needed equipment.

Promoting use of NH_3 in agriculture is only one way that Shell Chemical serves the farmer. Whether your interest is agriculture or industry, a product or service of Shell Chemical can almost certainly increase your output or reduce operating costs.

Shell Chemical Corporation

Chemical Partner of Industry and Agriculture

NEW YORK • SAN FRANCISCO

"Vision" is Indispensable to Progress"

How a speck of crystal is changing your life—your world

Advances so startling that only ten years ago they might have been subjects for science fiction are being chalked up by electronics—the fast-growing industry that harnesses electrons with vacuum tubes and their equivalents. More and more, as human impulses prove too slow to control the latest tools of science and industry, miniature tubes and semiconductor devices, such as 1/10 oz. transistors are taking over.

Today new radars keep tabs on storms and hurricanes, bring in ships and planes. Promised for the future is an electronic unit to lead the blind. Other devices now perform elaborate record-keeping tasks for business.

As the electronic microscope and betatron point to victory over dread diseases, another electronic instrument makes blood counts in seconds. Equipped with tiny transistors, midget radios run for years. New solar batteries take their power from the sun. TV programs recorded on magnetic tape, light amplifiers, electronic air conditioning and other appliances are in various stages of development.

Some of the most impressive work of electronics shows up in industrial controls—"black boxes" packed with electronic magic—which direct rivers of steel, guide precision drilling, measure metal thickness and detect flaws.

Guided by self-reliant enterprise, the electronics industry has already found ways to lighten man's tasks and lengthen his leisure, to entertain, defend and heal him. Only in a free competitive system can progress take such giant strides, achieving so much good for so many to share.

BANKERS TRUST COMPANY

16 WALL STREET, NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

IN THIS ISSUE

★ How to Save on Your '54 Income Tax

Here's a last-minute check list on filling out your '54 income tax form, with pointers that may mean cash to you. You will find opportunities for tax savings that you may not have suspected—as an investor, a homeowner, a car owner, a retired person, a widow. There are new rules, too, on business expenses and gifts to charity. See page 43.

★ Was FDR Forewarned at Yalta?

Just what did U. S. officials stationed in Russia tell Washington to expect at Yalta? Here, directly from the Yalta papers, is evidence of advance warnings. Page 38.

★ Military Pay Raise Ahead: First Since '49

For the practical details of what the planned revision in military pay will mean to men in uniform, see this article—with the new pay table—on page 28.

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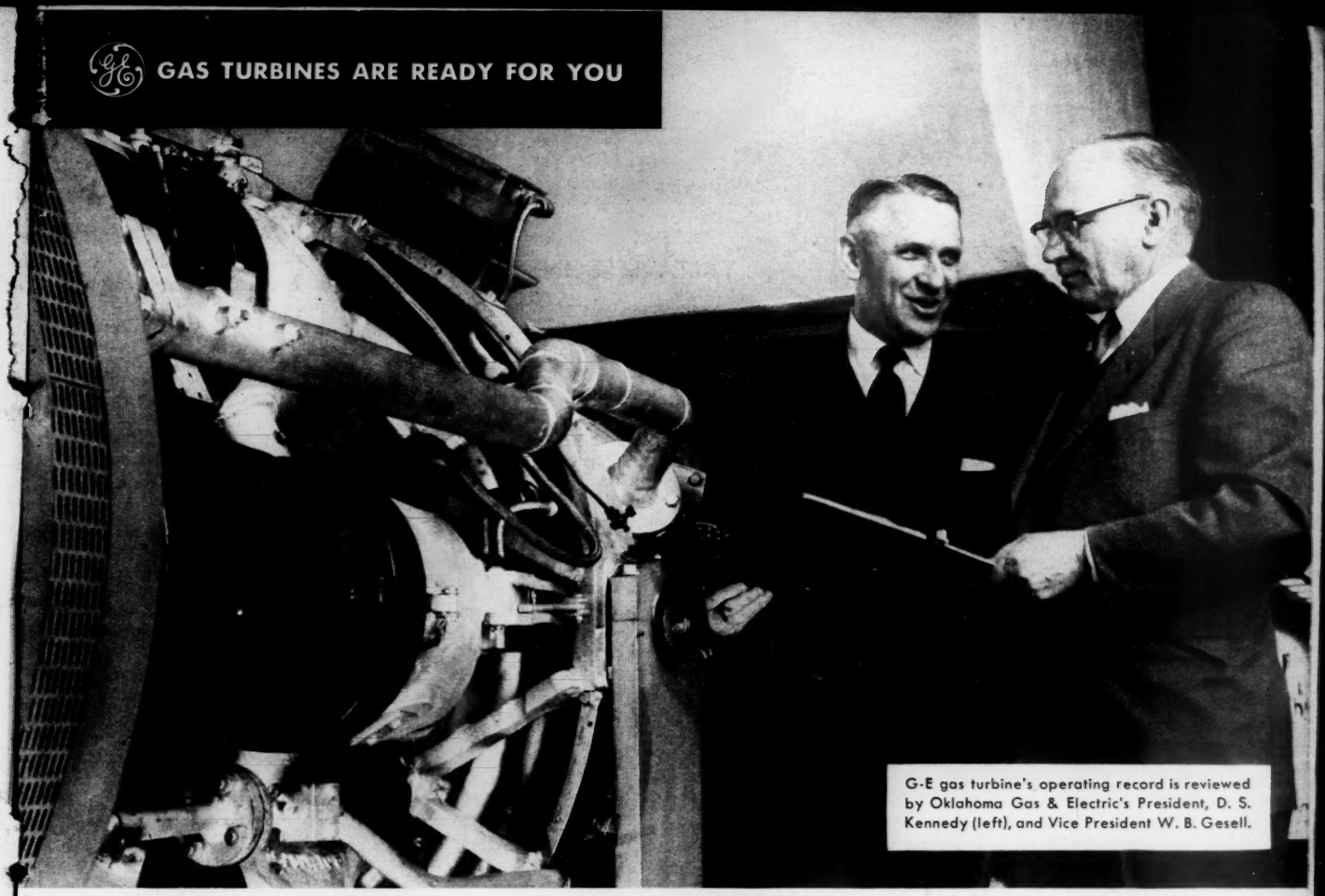
GAS TURBINES ARE READY FOR YOU



G-E gas turbine's operating record is reviewed by Oklahoma Gas & Electric's President, D. S. Kennedy (left), and Vice President W. B. Gesell.

PRESIDENT D. S. KENNEDY OF OKLAHOMA GAS AND ELECTRIC COMPANY reports:

"Operation of our G-E gas turbines has surpassed our best expectations!"

At its Belle Isle Station, Oklahoma Gas and Electric Company operates two General Electric gas turbine-generators. One of the units, installed in 1949, was the first gas turbine to go into service in any U.S. electric utility and has had more operating hours—34,000—than any other gas turbine in the world. The second, purchased in 1952, already has 12,500 hours to its credit. President Donald S. Kennedy, who has retained a close personal interest in the installation, reports:

"Because our two gas turbines represent something of a milestone in electric utility engineering progress, their performance has aroused considerable interest in the industry. Here is what our operating records show:

Gas turbine maintenance costs have averaged just $2.05 per year per kilowatt of maximum capability. Furthermore, we have experienced only 34 hours of unscheduled outages attributable to the gas turbines, or 0.1 percent of total operating time. These maintenance and reliability records compare favorably with those of other prime movers in utility service, and have surpassed our own best expectations!"

The G-E gas turbine is ready for you, too, if you can use mechanical power, compressed air, heated exhaust gas, or all three. General Electric, with a factory devoted exclusively to gas turbine manufacturing, has a record-making total of 597,000 hours of successful commercial operation to its credit—piled up by 97 gas turbines in five different industries.

Find out what the G-E gas turbine can do for you by contacting your General Electric Apparatus Sales Office, or by writing to General Electric Company, Section 261-9A, Schenectady 5, N. Y.

Progress Is Our Most Important Product

GENERAL ELECTRIC

(Advertisement)

C. W. E.

—or,

catching a waiter's eye, and what you can do about it

THERE are some men with so impressive a manner that head waiters and other functionaries defer to them and hover over them continually.

There are others who suffer from a chronic inability to attract deference from the lords of food and drink. No matter what their achievements may be in the world of business, their lives are spent in a losing campaign to catch a waiter's eye.

There is some welcome news, therefore, for all victims of "waiter's blindness" in a letter which came to us recently. A man writes "I've got the problem licked. It may take me a little while to attract the captain's attention in the first place, but when I do, I just order a round of Chivas Regal Scotch whisky. That establishes me instantly as a man of substance. Even if the place happens to be out of Chivas Regal, I get fine service from then on."

We were pleased to hear that. But this merit of 12 year old Chivas Regal should not obscure the primary reason why persons of taste order Scotland's Prince of Whiskies. By such people this liquid treasure is prized for its own sake. It owes its grandeur to the rare distillations from which it is produced, to the fact that it is aged for twelve years and blended with consummate skill by an Aberdeen House founded one hundred and fifty-four years ago.

There is a grain of consolation in our friend's letter for those who cannot obtain Chivas Regal every time they order it. (A situation which we deeply regret, and which is explainable by the fact that a whisky of this magnificence cannot be mass-produced.) If your spirits dealer or barman is temporarily out of Chivas Regal next time you ask for it, be assured that your order has won his respect as well as his regret, and his hope that you will give him a second chance to serve you.

•

BLENDED SCOTCH WHISKY
86 PROOF
CHIVAS BROTHERS IMPORT CORPORATION
NEW YORK, N. Y.

The March of the News

YALTA LESSONS

WHILE AMERICANS MULLED OVER the long-awaited Yalta papers, and politicians were watching anxiously for reactions, some top Republicans disagreed as to how those documents should be interpreted.

President Eisenhower told his press conference that he could see nothing to be gained "by going back 10 years and showing that, in the light of after events, someone may have been wrong, or someone may have been right." The nation should study the record and profit from past mistakes, the President said—"but don't let's try to just damage reputations by such means."

Mr. Eisenhower's remarks came on the heels of a move by Senator Styles Bridges (Rep.), of New Hampshire, to have material from the Yalta papers prepared for use by Republican speakers. Earlier, Senate Republican Leader William F. Knowland, of California, charged that President Roosevelt had given Congress a report on Yalta that came "near to being what in the Army we called 'a false official report.' . . ."

IN CASE OF ATTACK—

ONE HUNDRED AMERICAN CITIES will be evacuated at the first warning of an enemy attack, according to Val Peterson, Federal Civil Defense Administrator.

As for the familiar roadside signs that say highways will be closed in case of enemy attack, Mr. Peterson believes, "The darn things ought to be taken down. . . . In the event of an attack, we're going to use them all to get out, because the people are going out."

REPRIEVE FOR BEVAN

THE "BAD BOY" of Britain's Labor Party, Aneurin Bevan, was rescued by an old-time foe. Laborites, led by former Prime Minister Clement R. Attlee, had voted to deprive Mr. Bevan of the whip—denied him party status within Parliament only. Now they met to consider expelling the left-wing leader from the party altogether.

Suddenly, Mr. Attlee modified his stand. He proposed appointment of a subcommittee to seek Mr. Bevan's promise of co-operation in the future. The motion squeaked through, 14 to 13—the vote indicative of the party's quandary over "Nye."

In Conservative Party circles, it was said that Mr. Attlee's gesture was prompted by recent rumors that Prime Minister Sir Winston Churchill would retire soon. In that case, an early election could be expected, and Conservatives believe that Mr. Attlee feared to deepen the Labor Party split just before an election.

PERESS CASE AGAIN

ROBERT T. STEVENS, Army Secretary, admitted "some very bad mistakes" in the Army's handling of the Peress case.

But three of the Senate investigators concluded out loud that it was Army red tape, not a Red conspiracy, that resulted in promotion and honorable discharge of the New York dentist who refused to say whether he was a Communist.

Thus the second look by the Senate Investigating Subcommittee, now under Democratic control, neared its end.

MIGHTY LITTLE BOMB

A HIGHLY PORTABLE nuclear "satchel" bomb was unveiled by the Army, on its testing ground in the Nevada desert. Exploded underground, the new weapon hurled tons of dirt into the sky, looked like a "volcano" to observers 45 miles away.

Meanwhile, in the Santa Lucia Mountains foothills of California, the Second Infantry Division used a simulated "satchel" bomb in maneuvers. The target was an "enemy" guided-missiles site. The new weapon is considered ideal for sneak attacks by small raiding groups.

NATURE STORY

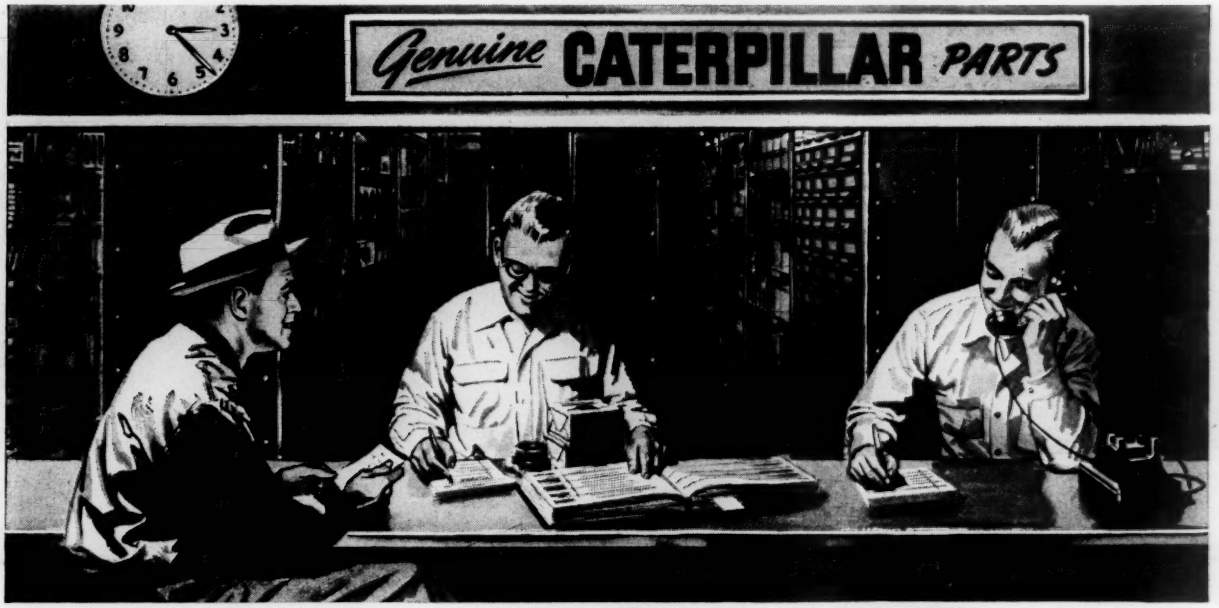
SPRING CAME to Washington, and, with it, some byplay about White House squirrels and the President's putting green. The story was that squirrels were roughing up the green and so were being trapped and "exiled."

This aroused Senator Richard L. Neuberger (Dem.), of Oregon, who launched a "save the squirrels fund" with a speech in the Senate. The President primed himself to answer press-conference questions about the animals—but, to his surprise, got none. So he "leaked" his feelings to White House visitor Bernard M. Baruch. "Funny thing," the President said, "I didn't know anything about this until I read it in the papers."

Press Secretary James C. Hagerty finally cleared up the matter. Only three offending squirrels were trapped. No more trapping is going on. No one told the President about the trapping.

"Over 80% of our parts orders come to us by Long Distance telephone"

Whayne Supply Co.
Louisville, Ky.



How much does tractor "downtime" cost on the job?

"It's been estimated that there is a loss of $100 an hour on the big models," reports Whayne Supply Co., Caterpillar Dealer for Kentucky and Southern Indiana. "Time is money in our business. We look to the Long Distance telephone as our chief method of saving time."

Over 80 per cent of Whayne's parts orders come in from customers by Long Distance. In rare cases, where a part is temporarily out of stock, Whayne telephones other sources of supply within 300 miles *at no cost to its customer.*

By using Long Distance, Whayne builds new equipment sales as well as its parts business. Customers know it backs up its products with the fast, reliable service which is so important to them.

There are many ways to make the telephone on your desk one of your most valuable, and lowest cost, sales aids.

If you would like a telephone company representative to stop in and explain them, call your Bell Telephone Business Office.

LONG DISTANCE RATES ARE LOW

Here are some examples:

Waterbury, Conn., to Providence	50¢
Des Moines to Minneapolis	85¢
Louisville to Cleveland	$1.00
Indianapolis to Atlanta	$1.15
St. Louis to Houston	$1.40

These are *daytime* Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

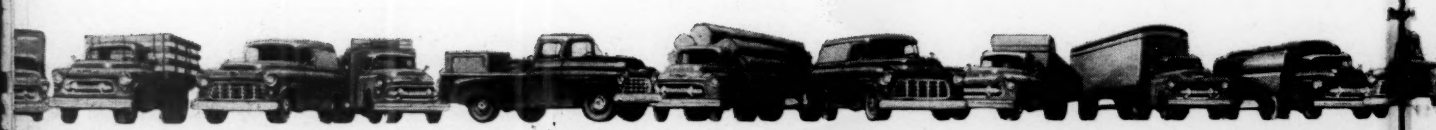
CALL BY NUMBER. IT'S TWICE AS FAST

BELL TELEPHONE SYSTEM

A whole new fleet of all-new haulers, ready for your job right now!

CHEVROLET'S NEW LINE OF TASK-FORCE TRUCKS

Altogether new! New models . . . more models . . . higher G.V.W.!
There's a handsome, husky new Chevrolet truck to tackle your tasks!



Here's what happens when America's leading truck builder pulls out all the stops! Here are trucks that are new from the drawing board out!

NEW STYLING IN TRUCKS

Fleet, functional styling that fits your job! For the first time in any truck line, *two* distinctly different styling treatments are offered—one in light- and medium-duty models, another in heavy-duty models. Your handsome new Chevrolet Task-Force truck will be a profitable advertisement-on-wheels for you and your business!

A NEW OUTLOOK FOR THE DRIVER

The completely new Flite-Ride cab is everything a driver could wish for, from its big Sweep-Sight windshield to its concealed Safety Step that keeps clear of mud or snow!

6 NEW "HIGH VOLTAGE" ENGINES

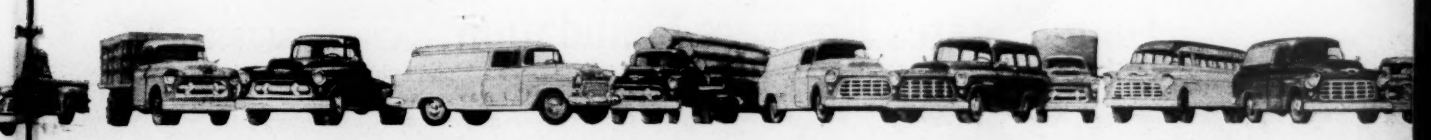
With a new 12-volt electrical system for quicker, surer cold-weather starting, increased generator capacity and finer engine performance—plus a long list of other advances. They're the smoothest, quietest, most powerful Chevrolet truck engines ever built!

AND MUCH MORE THAT'S NEW

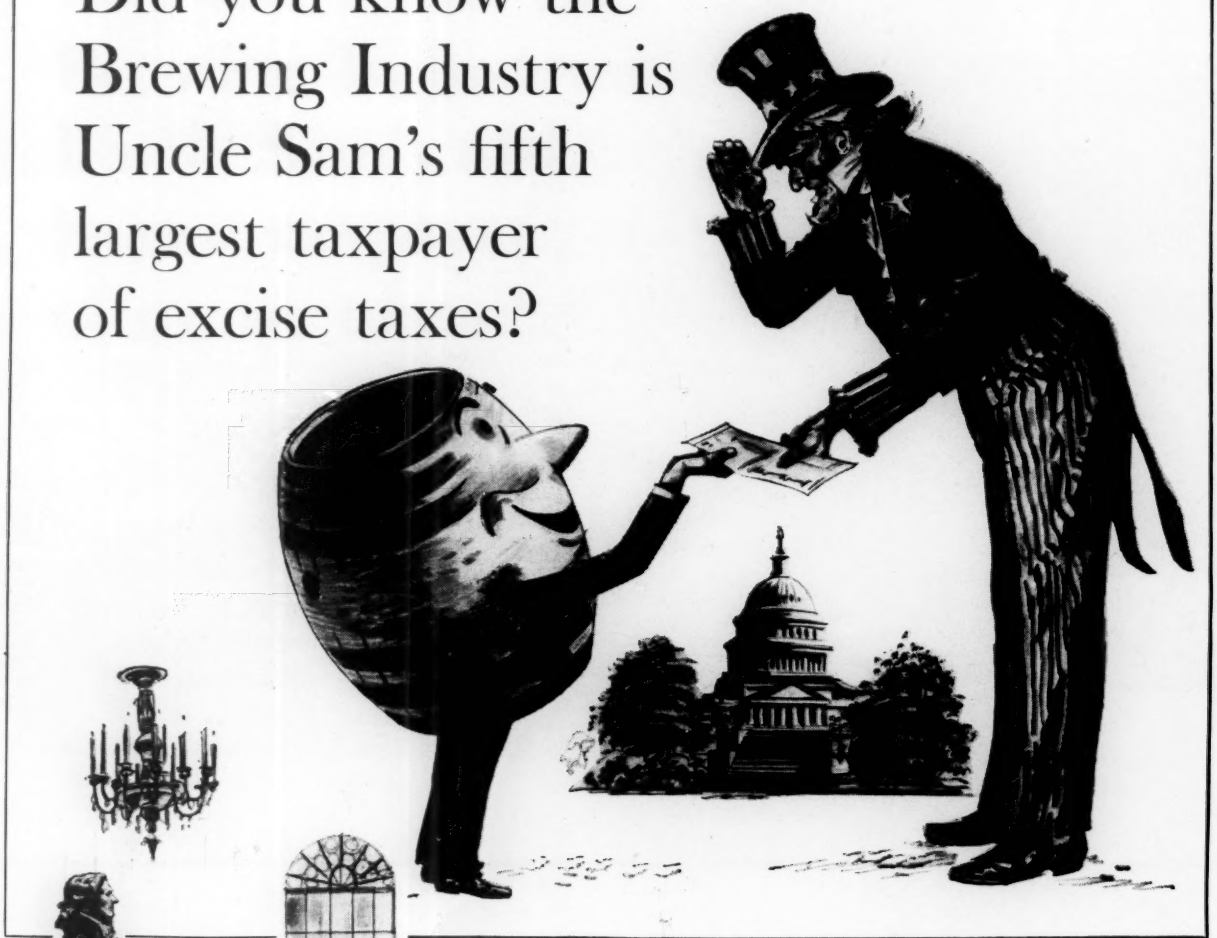
Like the smoother, load-steady ride . . . new High-Level ventilation . . . tubeless tires, standard on ½-ton models . . . Power Brakes* for all models, *standard* in 2-ton models . . . new 18,000 lbs. max. G.V.W. in 2-ton models. And there's a new choice of transmissions, including new Overdrive* and Hydra-Matic*. New Power Steering* available, too.

See the new Chevrolet Task-Force trucks at your Chevrolet dealer's now! . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

**Optional at extra cost. Overdrive available on ½-ton models, Hydra-Matic on ½-, ¾- and 1-ton models.*



Did you know the Brewing Industry is Uncle Sam's fifth largest taxpayer of excise taxes?



James Madison, in 1789, encouraged Brewing by asking for an 8-cent import duty on beer. He said, "This rate will induce the manufacturers (of Beer) to take deep roots in every state of the union."

Beer, the beverage of moderation, has contributed to our nation's economy in many ways ever since the earliest Colonial days.

For example, in the fiscal year of 1953, the Brewing Industry was Uncle Sam's 5th largest payer of excise taxes. $768,000,000 was added to the Federal Treasury last year through this important revenue. State taxes on beer—amounting to $200 million a year—make a total tax bill on Brewing of almost a billion dollars annually.

United States Brewers Foundation... Chartered 1862

One of America's Oldest Continuous Non-Profit Trade Associations
Representing over 86% of the Country's Malt-Beverage Production

FROM THE NATION'S CAPITAL

Tomorrow®

A LOOK AHEAD

Newsgram®

24th and N Streets, N.W.
Washington, D. C.

This from men close to the top, men in position to know the facts:

Talk of a Big 4 meeting is in earnest, not just political conversation.

Eisenhower, clearly, has changed his view, now sees a possibility, just a possibility, that Russia will make a deal, agree to some basis for peace.

It's a long shot, at best. Eisenhower is not fooling himself on that. U.S., though, is ready to explore the idea, check the odds.

Top-level meeting--heads of state of U.S., Britain, France, Soviet Union--still is months away, if it comes off at all.

Earliest likely date is late 1955.

Note this: U.S. does not intend to sign up for a meeting until Russians show they are in a mood to do business. Americans have been fooled before. Eisenhower, this time, is receptive, but not committed to anything.

Plans, to date, are vague, but run about like this:

Talk with allies first, make sure of a solid front in case Russia tries, as in the past, to drive a wedge between U.S. and her friends. Then sound out the Russians informally, get a line on whether new meetings offer promise. If so: Call a meeting of foreign ministers--U.S., British, French, Russian--for preliminary talks and a try at forming an agenda for the top-level meeting. Finally, if things still are working out: Call the big conference.

These are major ifs. The whole thing could fizzle out along the way.

Record of the past is not one to inspire high hopes for the outcome of a new meeting with the Soviet rulers.

Previous talks--first the wartime conferences with Stalin and later the postwar meetings with Molotov--taught the Allies a grim lesson: Give the Russians what they want, and everything goes nicely. Stand up to the Russians, and the meeting drags out, produces nothing in the end but talk.

As for Russian promises, U.S. learned long ago not to bank on them.

What has happened to start Eisenhower thinking of another high-level conference with the Russians? Several things.

New rulers in Russia, Eisenhower suspects, might be a little easier to deal with. Troubles behind the Iron Curtain might make peace with the West look a bit more inviting. With a new meeting coming up, so the thinking goes, Russia might lay a restraining hand on Communist China. New weapons must make war look as terrible to Russian people as to American and West European people. West is strong now, and getting stronger. These thoughts are in Eisenhower's mind.

(over)

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Another point: The President has been under increasing pressure to open the door to a new meeting. That pressure came first from Britain, France, Germany. Now, Senator Walter F. George (Dem.), of Georgia, chairman of the Senate Foreign Relations Committee, raises a powerful voice in support of a meeting.

Eisenhower is skeptical, but willing to try once more for a deal.

Disarmament remains a distant prospect. Latest Russian plan, strategically timed just in advance of the French Senate vote on German rearmament treaties, is not to be taken too seriously. Russians have come up with a similar disarmament proposal before, only to back down later.

Near the halfway point of a Democratic-controlled session of Congress:

Eisenhower's program, much of it, is in trouble.

Official atmosphere is strained, as always happens when responsibility in Government is divided between the parties. Relations between Congress and the Administration are getting worse, not better.

Democrats loose their fire mainly on Cabinet members, other top men around the President. Eisenhower name still carries a good deal of magic. Democratic shots, however, now are being aimed closer to the President himself.

Taxes produced the one pitched battle to date. In that one, Eisenhower views prevailed. Other battles are coming up.

Reciprocal-trade bill is to get a working over in the Senate.

Highway bill, in some form, is likely to be voted, but not as Eisenhower wants it. Trouble is developing over what roads to improve, how to pay the cost. Aid to schools, if voted at all, will not follow the President's plan.

Statehood for Hawaii and Alaska probably is to be shelved again. Pay increases for federal employes, when finally passed, are likely to be larger than Mr. Eisenhower says he will stand for. A veto is threatened. Health insurance, urged by the White House, looks doubtful. Taft-Hartley Act will not be changed.

Draft will be extended, probably for four years until mid-1959. Reserve plan is bogged down. If Reserve bill is passed at all, which is far from certain, it will be rewritten first.

Business is so good, gaining so fast, that official misgivings are developing about it. Question is whether recovery is getting ahead of itself. Automobiles are being turned out at a rate that will not be sustained through the year. Steel is in such demand that at least one producer is getting ready to ration among customers. Construction keeps booming. These three--autos, steel, construction--are main sparks of the general boom in business. When they go up, other things go up. Question is, what happens if they go down?

It's quite a boom that's going on now, surpassing all expectations.

Federal gasoline tax probably will stay at 2 cents a gallon. Higher tax is suggested as a way to put federal outlay for 10-year road program on a pay-as-you-go basis. To raise 31 billion dollars in 10 years, as the federal share, would require a gasoline tax of 5¼ cents a gallon. States would howl at that. They already complain that Federal Government has hogged most of the tax sources. State gasoline taxes run as high as 7 cents a gallon.

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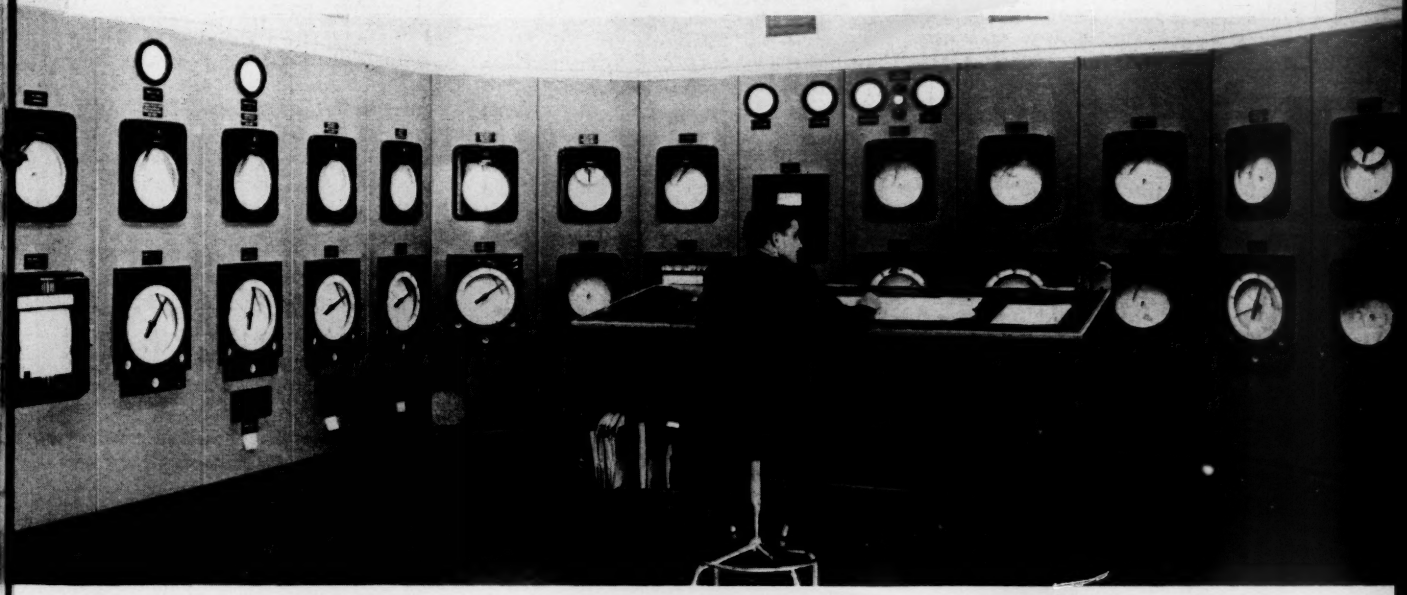
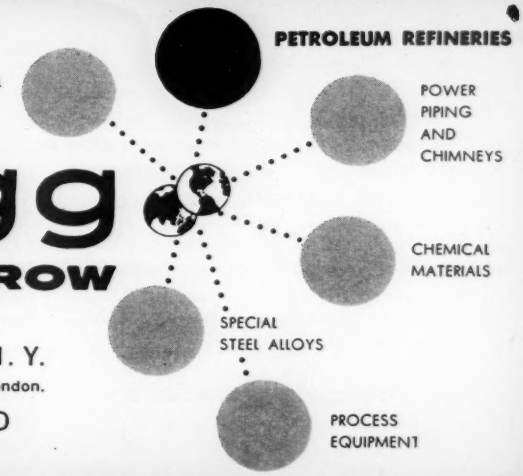
Automation is Over 21 —at M.W. Kellogg

Automatic control and instrumentation, which together have coined the new word "automation", are far from being new with The M. W. Kellogg Company. Largely through the work of the Instrument Section of Kellogg's Engineering Department, automation has long since come of age in petroleum refineries. It has been paying off for years in terms of increased production, higher quality, and in added safety and better working conditions.

In refinery control rooms, like the one shown below, every critical process variable is plotted, recorded, and observed at a glance . . . including temperatures, pressures, flow, and physical and chemical characteristics of the refinery process stream. Instruments now under development, using radioactive isotopes, can even peer through the heavy walls of high pressure vessels—and thus avoid the weakening of vital equipment caused when walls have to be drilled for conventional instruments.

The M. W. Kellogg Company's Instrument Section continues to work closely with all instrument manufacturers toward the development and application of systems which can improve refinery operations. It is an important part of the over-all service Kellogg can offer in designing your future petroleum or petrochemical facilities.





M.W. Kellogg

ENGINEERING FOR TOMORROW

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Red Rockets Against Formosa? . . . Democratic Campaign Files Removed . . . Ike Is Losing Backers on Trade Bill

President Eisenhower seems to be headed for his most bitter dispute with Congress when the Senate takes up the Reciprocal Trade bill. Even some Republicans and Democrats who usually support the President are turning against him on this issue.

★ ★ ★

Military leaders at the Pentagon can't get very excited about the appointment of Harold Stassen as Special Assistant to the President on disarmament problems. Military men note that disarmament proposals are about as old as history and never have been successful.

★ ★ ★

Carl W. McCardle, Assistant Secretary of State, is getting most of the blame from Democrats for the alleged "leak" to one newspaper that resulted in the release of the Yalta documents.

★ ★ ★

John Foster Dulles and Britain's Sir Anthony Eden are supposed to have discussed the release of the Yalta papers when they met at Bangkok several weeks ago. Actually, the conversation never took place. Mr. Dulles was primed for a discussion of the subject, but Sir Anthony did not mention it.

★ ★ ★

Senator Walter F. George (Dem.), of Georgia, caught the State Department by surprise when he proposed a Big Four conference. The Administration still doubts that much can come of a meeting with the Russians, but the Department wants no argument with the chairman of the Senate Foreign Relations Committee.

★ ★ ★

Quiet diplomatic pressure from Britain and the U. S. is credited with having caused the Finnish tanker "Aruba" to turn back to Rumania with its cargo of jet fuel, once destined for Red China.

★ ★ ★

U. S. military officials in Tokyo have suggested to Washington that the Korean cease-fire agreement be formally terminated by the United Nations because of Communist violations. A military build-up in South Korea, to match the one of North Korea, then could be undertaken.

★ ★ ★

Air Force strategists for the U. S. would not be surprised if Soviet Russia delivers some V-2 rockets to Chinese Communists for use against Formosa. As a target, Formosa may offer the Russians a chance to test German-designed rocket weapons.

★ ★ ★

Joao Café Filho, President of Brazil, is losing support of the Brazilian Army. Reports are current that the Army may oust the President before scheduled elections next autumn. Café's failure to curb runaway inflation has irked Brazilian business interests, too.

★ ★ ★

Ezra Taft Benson, Secretary of Agriculture, is not getting very far with his program to sell farm surpluses abroad for foreign currencies. The plan is running into difficulty at home with other Government agencies, and it is being opposed abroad by countries that fear surplus sales would cut down other forms of aid.

★ ★ ★

Republican Congressmen from farm States are skeptical of the House Agriculture Committee's attempt to gain labor backing for high and rigid farm-price supports. Republicans doubt that farmers have anything to gain from an attempt to ally themselves with organized labor.

★ ★ ★

Dave Beck, head of the Teamsters Union, was shocked to find that New York longshoremen wanted his union to repay loans given to the dock workers by John L. Lewis's United Mine Workers. That demand slowed up merger negotiations between longshoremen and teamsters.

★ ★ ★

Democratic campaign records, detailing financial contributions to the 1952 presidential race, were suddenly carted away from House files on March 9. The records are required by Corrupt Practices Act to be kept for only two years, but past practice has been to keep them for a longer period. Reporters who had been examining the files are puzzled about their removal.

★ ★ ★

Senator J. W. Fulbright was as eager as anyone else to bring the stock-market investigation to a close, at least temporarily. The Arkansas Democrat, who sponsored the study, unexpectedly found himself snarled up in controversy with Republicans and put repeatedly on the defensive.

★ ★ ★

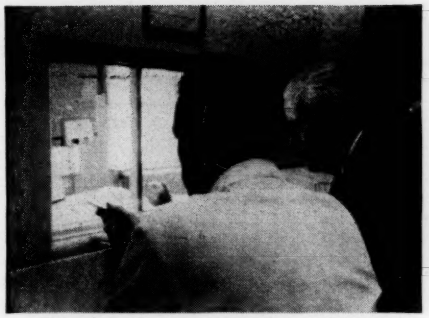
Adlai Stevenson and Averell Harriman had a private four-hour dinner get-together recently in New York City. It is believed they agreed one or the other should be the Democratic presidential nominee in 1956.

★ ★ ★

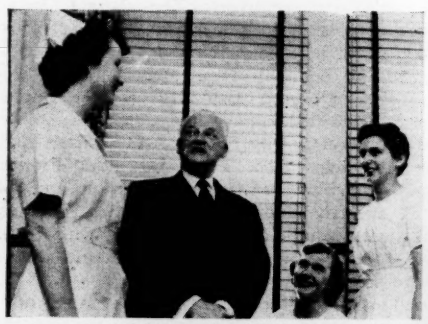
Senator Alexander Wiley (Rep.), of Wisconsin, may not get organization support for re-election next year. Some Wisconsin Republican leaders are talking of supporting either Governor Walter J. Kohler or Attorney General Vernon W. Thomson.

Why angel fish . . . pillow radios . . . and 1600 volunteers add up to something that can help you buy insurance wisely

Wausau Story

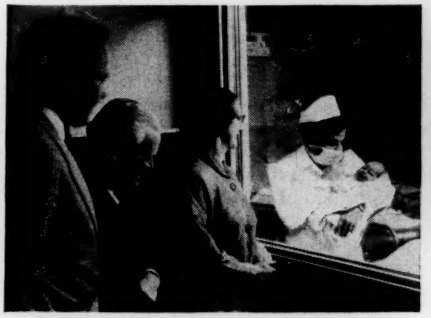


Dr. Coon is Superintendent of University of Wisconsin Hospitals in Madison. Wausau surprised him. "For a city this size to have *two* large, modern hospitals is unusual enough. But even more unusual is the spirit of the people behind them. You see the very latest equipment, such as the X-ray therapy machine pictured here. You find, too, wonderful touches of comfort—radios that play 'privately' under patients' pillows—and filmed books projected on the ceiling for easy reading."



Senior Student Nurse Darlene Krause, Dr. Coon, Students Peggy Kennedy and Ellen Klimek.

"I talked with nurses at St. Mary's Hospital, on a very exciting day. The two young ladies on the right, called 'probies,' have just completed the probational period of their 3 year training course. St. Mary's has an excellent nursing school, attracting girls from all over the state."



Memorial Hospital Administrator, Miss Olive Graham, shows Mr. and Mrs. Vernon Anderson their new daughter.

"The largest woman's organization in Wausau is a *hospital* group—the Women's Auxiliaries of Memorial Hospital. With 1600 members, everyone gets a chance to pitch in and help, instead of the burden falling on just a few."

Dr. Coon's story tells you something of the *Wausau personality*.

You may live in New York, Atlanta or Seattle. But you're never really far from Wausau. Not far from the "Wausau way" of doing things . . . and people who lean a little backwards to help you. You'll find this *Wausau personality* in all 92 Employers Mutuals offices throughout the country.

Our specialty is *workmen's compensation*, and we handle all lines of fire and casualty insurance as well. Here are just a few of the reasons why our policyholders tell us we're "good people to do business with." A reputation for unexcelled service and fairness on claims. An accident prevention program that can mean lower insurance costs. A record of consistently high dividends. And service, *direct from the company*, that saves time and headaches. Call any Employers Mutuals office, or write Wausau, Wisconsin.

Dr. Coon with Nurse June Watson and children in a hospital playroom.

"Wausau really takes care of its youngsters. In this hospital, for instance, there's a large, sunny playroom well filled with toys and games, and an aquarium of tropical fish, all of which have pet names. One little girl told me: 'We get to eat supper in here so we really have a party every day!' The Wausau newspaper does its part, too. It prints, free, progress reports written by the kids in the hospitals."

Employers Mutuals *of* Wausau

PEOPLE ★ ★ ★

OF THE WEEK

› WALTER F. GEORGE, dean of the U. S. Senate in point of service, is listened to attentively when he speaks. A case in point is his proposal that a U. S. President and a Soviet Premier meet each other at a conference—something that has not happened since the 1945 Potsdam meeting.

Repeated deadlocks in Foreign Ministers' conferences hardened U. S. policy against talks, unless Russia shows it means business. Proposals from British Prime Minister Sir Winston Churchill and a former French Premier, Pierre Mendès-France, to approach the Russians again fell on deaf ears in Washington. But when Senator George, a Georgia Democrat who heads the Senate Foreign Relations Committee, suggests the same thing, official ears open wide.

Mr. George, 77 years old and a Senator for more than 32 years, is a former justice of the Georgia Supreme Court—and a lifelong Democrat who often disregards his party's strategies. Nearly 20 years ago he fought President Roosevelt's plan to expand the Supreme Court, then triumphed at the polls when Mr. Roosevelt sought to "purge" him. And only a few weeks ago the Senator joined in helping to turn back an income-tax-cutting plan, which had been sponsored by Democratic leaders. What he advocates, in his rare speeches, the Senate seldom rejects.

The mere fact that it is George of Georgia, and not someone else, who is urging a top-level conference makes a conference more likely to be held.

› SIR WINSTON CHURCHILL apparently is about to step down as British Prime Minister. Even out of office, however, he will be a long way from departing completely from politics.

The word in London is that Sir Anthony Eden, presently the Foreign Secretary, will at last, after long waiting, become Prime Minister—but that Churchill will continue to exert strong influence on the Government. The feeling is that, if Big Three or Big Four talks are held, Sir Winston will head the British delegation.

Big reason for Churchill to step down is that, despite his recovery from complete paralysis, he is slowing down to such an extent that he cannot handle decisions with dispatch. Problems pile up on his desk.

At 80, he is to become a powerful elder statesman. Through more than 50 years, he has held high office much of the time, has been Prime Minister for a total of nearly nine years. Yet many of his most noted contributions to world political thought have been made when he was free of executive duty—before World War II, when he warned repeatedly against the rise of Hitler, and after World War II, when he raised the first strong warnings against Soviet expansion and proposed the unity of Europe. His influence will continue after he leaves office.

› J. LAWTON COLLINS, former U. S. Army Chief of Staff who was sent to South Vietnam as a trouble-shooting ambassador, is finding a worsening mess.

When General Collins arrived last autumn, the head of the National Army was defying Premier Ngo Dinh Diem, whom the U. S. backs as an honest, nationalist reformer. The defiant Vietnamese general was banished. But four other private armies now threaten revolt against Diem, whose leadership has not been very forceful or effective.

Behind the threat of revolt lies subtle obstruction by French Army officers and officials. Gen. Paul Ely, the French Commissioner-General, is an old and respected acquaintance of General Collins and is officially co-operating with U. S. policies of setting up a stable, independent Government.

Some Frenchmen, however, are working undercover, encouraging the private

(Continued on page 16)

WHAT CONGRESS HEARS OF ATOMIC SUB: "NAVY OF FUTURE"

–United Press

› TWELVE CONGRESSMEN—all members of the Senate-House Joint Committee on Atomic Energy—dived far under the Atlantic in the atomic submarine *Nautilus,* held a 95-minute night meeting more than 300 feet down. Senators **Clinton P. Anderson,** of New Mexico, Democratic chairman of the Committee, and **William F. Knowland,** of California, Senate Republican Leader, teamed in a turn at the controls.

What the lawmakers saw astounded and excited them. Mr. Anderson predicted to the Senate that "the atomic submarine will be the capital ship of the Navy of the future." He suggested two changes: installation of atomic guided missiles to be fired from beneath the sea, and a speed-up to replace present submarines with atomic vessels within 10 years.

Senator Knowland also urged expanded construction, said members of Armed Services and Appropriations committees should see the ship.

The debate marked transition from experiment to practice. In the next few years, Congress may spend billions for atomic vessels. Shipyards, engine makers, naval crews, submarine missiles are approaching vast changes.

They're going to have a baby...

THIS COUPLE have recently learned that their baby is on the way. Already, with the help of their doctor, they are planning for the welfare of the mother-to-be . . . and the arrival of a healthy child.

Thanks to the safeguards with which medical science has surrounded pregnancy and childbirth, the chances are better than ever that prospective parents can now realize their great expectations. In fact, infant mortality today has been cut to 28 per 1,000 live births. Only 30 years ago, it was 71.7 per 1,000.

The record for mothers is even better. As recently as 1941, there were 29 maternal deaths among every 10,000 live births. Today, the rate has plummeted to less than seven deaths. These great gains have been made even though the number of births in recent years has exceeded three and a half million annually . . . an increase of almost 50 percent since 1941.

An important factor in achieving this proud record has been the growing awareness among expectant parents of the importance of medical care *started early and continued throughout pregnancy*.

So, if a baby is expected in your family, here are some of the things the expectant mother can do:

1. Take a calm, realistic and happy attitude about pregnancy. Should anything upset you, take your questions to your doctor. He wants to help you face pregnancy as a normal, joyous state.

2. Follow your doctor's advice about periodic medical examinations, special diagnostic tests and particularly about rest, exercise, diet and weight control.

3. Plan, if possible, to have your baby in a hospital where you will have the most modern medical and nursing care. It is wise to make hospital reservations promptly . . . for today, 9 out of every 10 mothers go to hospitals to have their babies.

The husband, too, can help his wife over the months before the baby comes. The arrival of a new child is a most important event in family life . . . as important to the husband as to the wife. When home duties are shared, many problems fade away.

Metropolitan has published, for all parents-to-be, a booklet about the important and wonderfully rewarding job of parenthood. The title is *Preparing for Parenthood.* Just fill in and mail the coupon below for your free copy.

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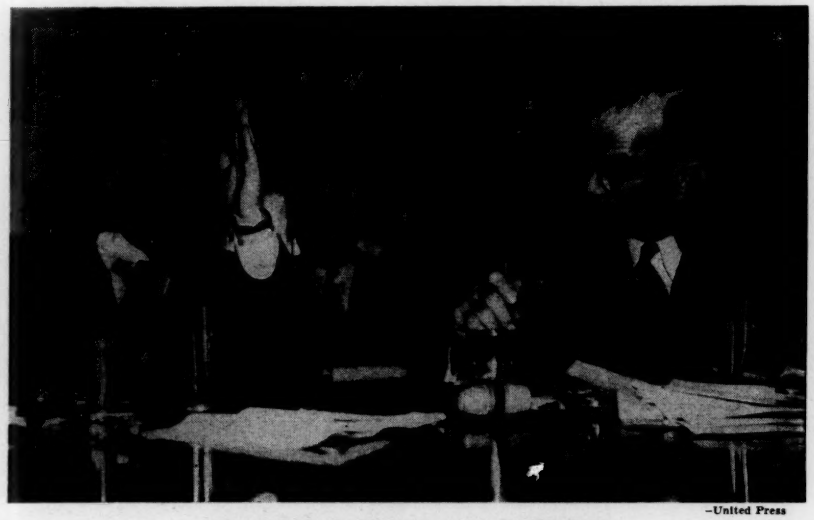
armies to work against the Premier; one French commander was detected supplying arms to the private forces. General Collins is finding out that many Frenchmen are Communism's helpers, that Vietnam will be hard to save.

› **HOMER E. CAPEHART,** an Indiana manufacturer and businessman before he was elected to the Senate in 1944, is being credited by fellow Republicans in the Capitol with taking the edge off a Senate inquiry into the stock market. The Republican prediction is that the investigation, recessed last week, will not now have any big political advantage for Democrats.

Senator Capehart is the ranking Republican member of the Senate Banking and Currency Committee which has been conducting the inquiry. He has taken sharp issue with the Committee chairman, Senator J. W. Fulbright (Dem.), of Arkansas, over Mr. Fulbright's line of questioning, believes the inquiry is a politically motivated attempt to harass business and the Republican Administration.

Mr. Fulbright is holding no hearings this week, instead is deciding on what he can do next in his inquiry.



—United Press

SENATORS CAPEHART AND FULBRIGHT
Where does the market inquiry go from here?

› **A MEDICAL SCIENTIST** who specializes in studying what atomic science can do for men, animals and plants predicts that, within the lifetime of living men, 25 to 50 years in the future, hunger and disease can be banished from the earth. **Dr. John C. Bugher,** who directs the Atomic Energy Commission's division of biology and medicine, says these forecasts already can be made "with reasonable confidence of their reliability."

Infectious disease, he says, will cease to be a major threat to health. Cancer can be cured or satisfactorily suppressed. Parasites that cause many tropical diseases can be eliminated. Food plants can be changed by atomic radiation to multiply productivity. Synthetic food and vastly improved medicines can be made through atomic chemistry.

Dr. Bugher has been at the center of atomic-medicine studies since he was appointed deputy director of the AEC's medical division in 1951. He was advanced to director 14 months later. Now 53, he is a former professor of pathology. From 1938 to 1951 he engaged in research and control of infectious diseases under the Rockefeller Foundation.

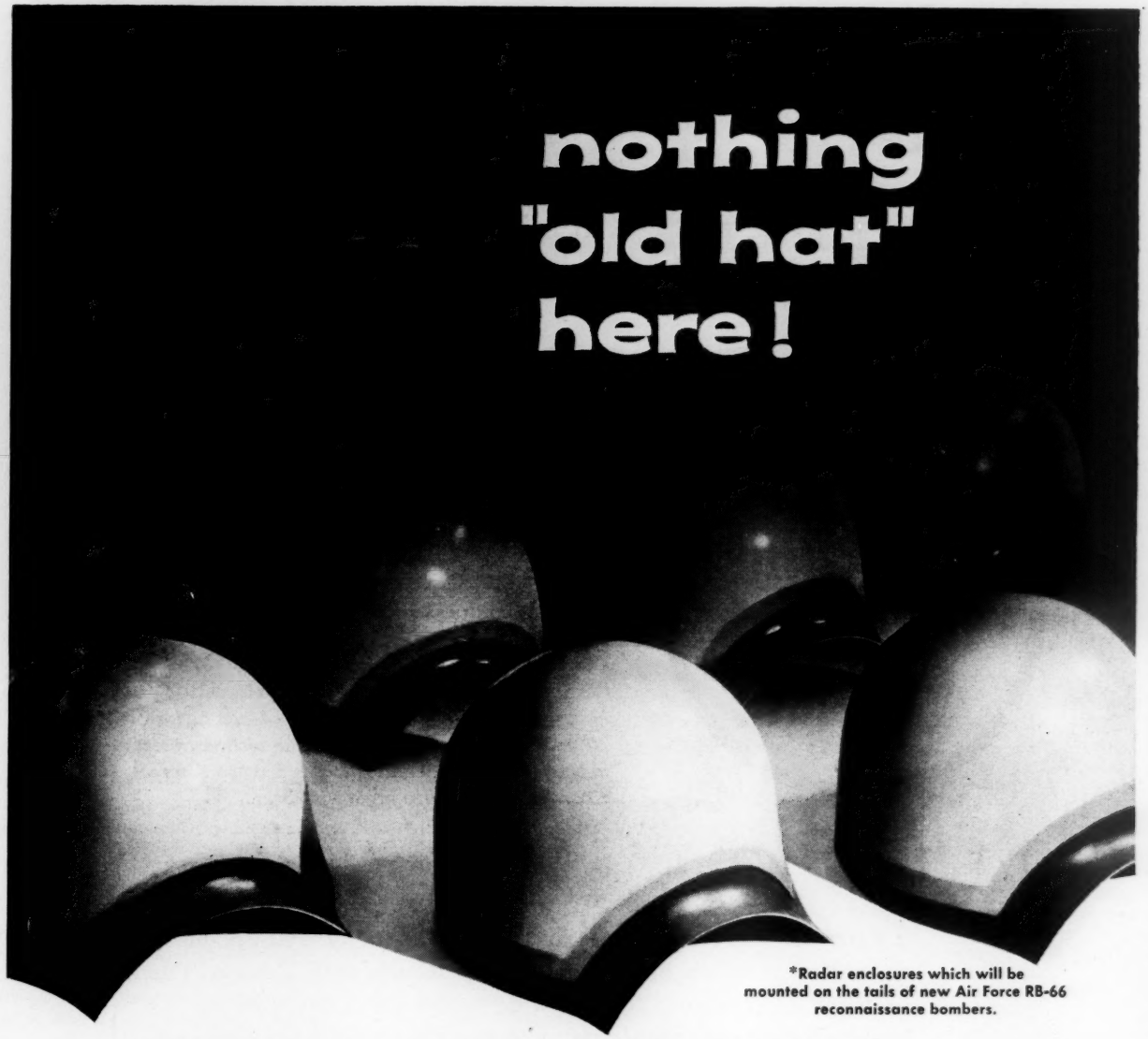
—United Press

PIERRE POUJADE IS POPULAR
. . . in a nation where tax dodging is traditional

› **A FRENCH SHOPKEEPER** is directing a tax revolt among small businessmen that is unlikely to end before the unkempt French tax system has been regroomed. Until a few weeks ago, few people had heard of **Pierre Poujade.** Now he leads 800,000 angry tradesmen and is becoming a strong political force.

By threatening a shopkeepers' strike, Mr. Poujade forced the French Cabinet to suspend penalties on tax-dodging shopkeepers. What the tradesmen are angry about is a patchwork of many different taxes and surtaxes so complex that no shopkeeper can even compute his own liability. Tax dodging is an ancient French tradition, and when collectors tried to end it through surprise inspections of accounts, Mr. Poujade gained supporters by the thousands.

Leader of the rebels runs a small stationery shop in rural France. He is only 34, has a blunt, unbridled tongue and an aggressive manner. His enemies hint, without proof, that he is allied with Communists or fascists. With national elections due next year, politicians fear he will create another national party, out to shear them of votes.



*Radar enclosures which will be mounted on the tails of new Air Force RB-66 reconnaissance bombers.

THESE radomes* may have the appearance of a flapper's hat of yesteryear—*but they are the tip-off to bonnets soon to be worn by the smartest automobiles, speed boats or what-do-you-build in America.*

For they're made of a wondrous new structural plastic material possessing qualities which have already created a big demand for its use in many fields.

Reinforced with glass fibers and resins — it is the toughest, perhaps the most durable plastic known.

Lightweight, it can reduce the weight and cost of many items now being made of more cumbersome materials.

Versatile, it can be formed in any size or shape.

Translucent, it can be quickly checked for void-free aeronautical quality.

Colorful, it can be produced in any desired hue to put your product in "full dress."

The airplane radomes shown above combine void-free translucent plastic laminates with a foamed-in-place plastic core, both pioneer developments of Goodyear Aircraft.

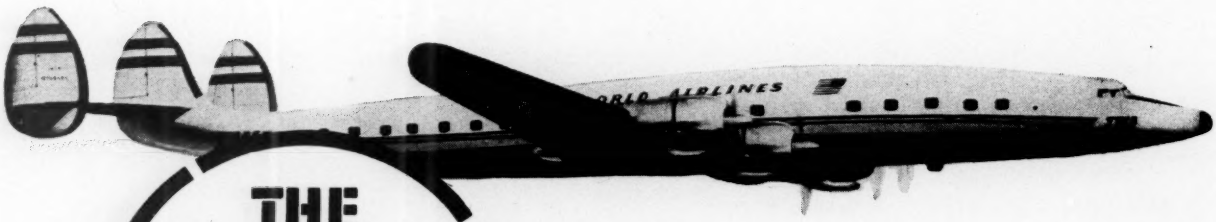
For complete information, write: Goodyear Aircraft Corporation in Akron 15, Ohio or Litchfield Park, Arizona—where there are plants capable of producing the complete package in quality to fit your product.

GOODYEAR AIRCRAFT

New Materials and Methods for Industry — the result of aircraft pioneering

TRANS WORLD AIRLINES

...uses Texaco Lubricants exclusively in the U.S.



THE TOUGH JOBS GO TO TEXACO

Here's the brand new TWA Super-G Constellation, the latest contribution to luxury aircraft transportation. Like all other TWA planes in the U.S. for the past 22 years, the new Super-G Constellation is lubricated exclusively with Texaco Aircraft Engine Oil. As a matter of fact... *for over 20 years, more scheduled revenue airline miles in the U.S. have been flown with Texaco Aircraft Engine Oil than with any other brand.*

TRANS WORLD AIRLINES is just one of the many well-known organizations which have achieved top results with Texaco. There are three good reasons for this wide acceptance: *field-proven* Texaco Lubricants, developed with the aid of the finest research facilities available... *field-experienced* Texaco Lubrication Engineers to advise on their use... and *fast, efficient service* from over 2,000 Texaco Distributing Plants in all 48 States. This combination can help bring production *up*... and costs *down*... in every major field of industry and transportation. One agreement of sale supplies all your plants wherever located. For details, call the Texaco Distributing Plant nearest you, or write The Texas Company, 135 East 42nd Street, New York 17, N. Y.

TEXACO

INDUSTRIAL LUBRICANTS

WHY RETAIL TRADE IS BOOMING

All Over U. S., Rising Demand for Autos, Furniture, Appliances

Sales gains are being rung up in most of the nation's stores this year. Many are setting new records.

Thus, the public shows a willingness to spend more, save less.

A new trend toward luxury buying appears—in cars, furs, men's suits, foods.

This attitude lends strength to business, causing the boom to spread out into many new lines.

Industries once neglected are getting a lift—textiles, clothing, furniture.

***U. S. News & World Report* made a nation-wide check on this big development.**

People are spending more money in the stores than ever before. They seem to feel well-heeled and confident. In a mood for "dolling up," they are buying latest-style clothing, colorful new cars and many things for the home.

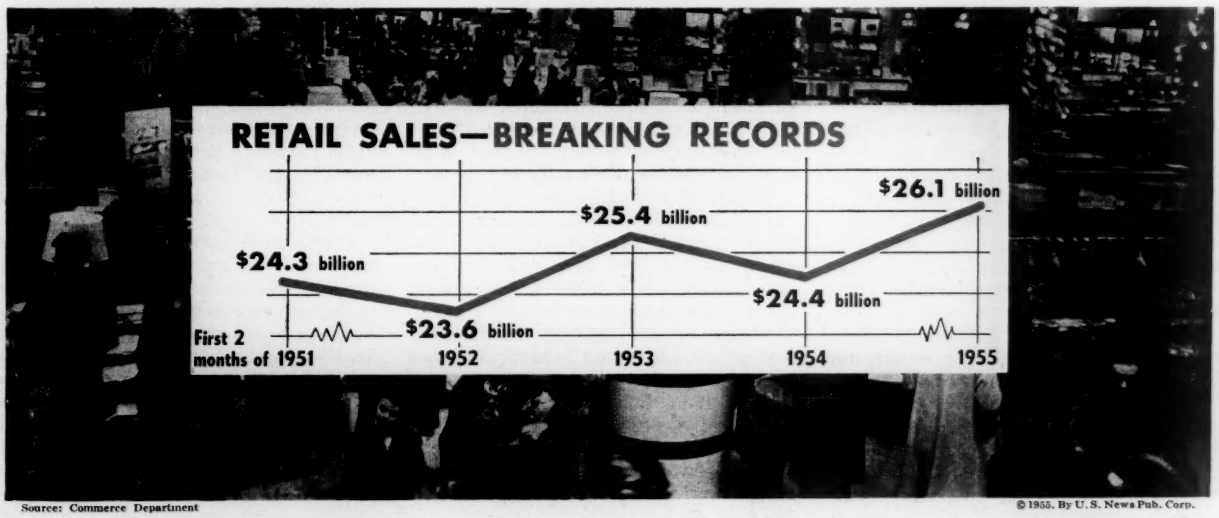
That picture is drawn from Government figures, public-opinion sampling and comments by many merchants.

Thus far, the figures show, the gain in retail sales is widespread and quite impressive. The chart on this page indicates that people bought more goods in the first two months of this year than they ever have bought in the same period before. Retailers say March also has been a fast-selling month.

Another chart, on pages 20 and 21, tells where gains in purchases have been taking place, based on reports for the first two months of the year. Again, talks with merchants suggest that the gains are continuing on the same pattern, with this major difference: the clothing trade, lagging earlier, is getting a lift now—thanks to an early spring in some parts of the nation and the approach of Easter.

Backbone of the boom. The sales spree is riding mainly on what's happening in home building and auto purchases. People are not just buying more cars than last year; they are buying more than ever before. And they are also going in for home furnishings of all types in a really big way.

In the first two months this year, more than a million new cars were sold by dealers, surpassing the pace of 1950, pre-



Source: Commerce Department

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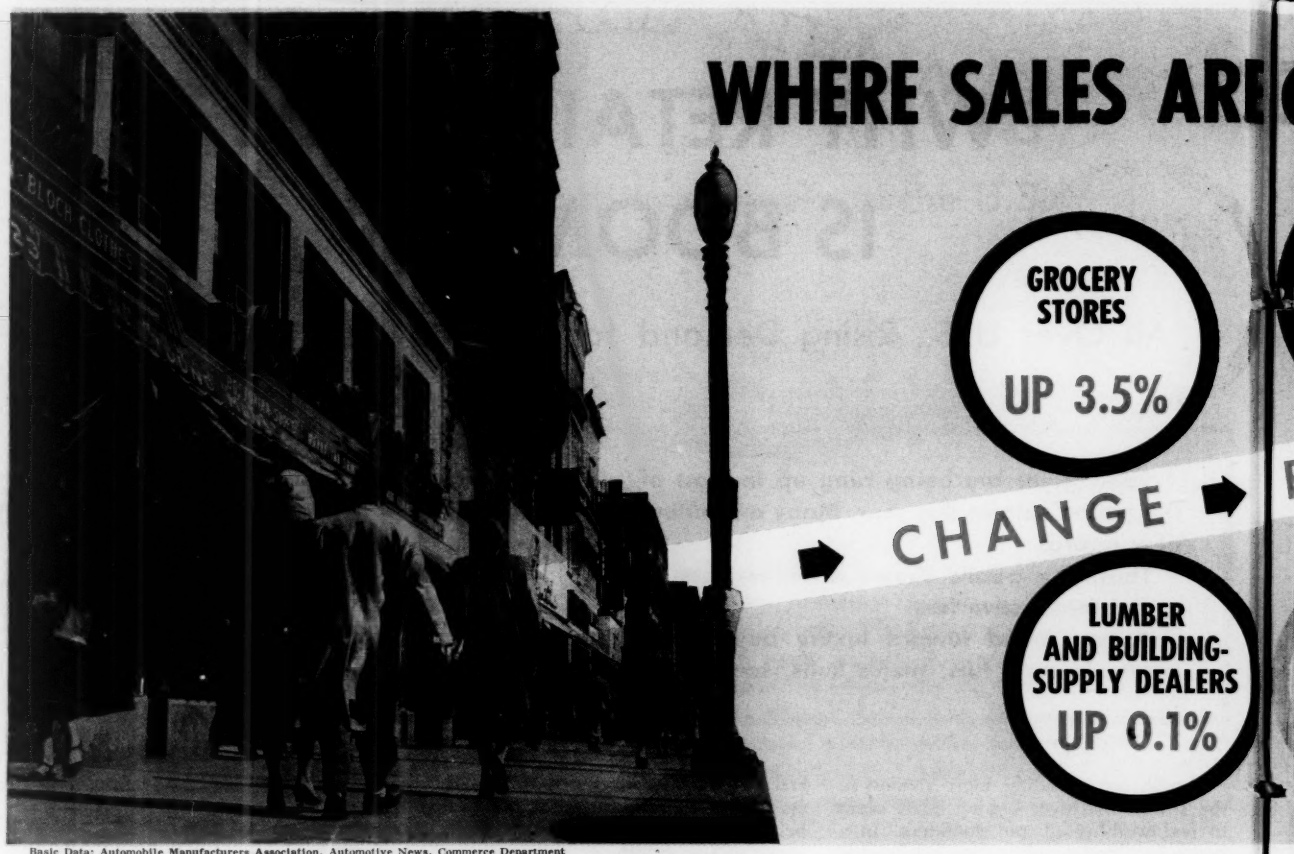


Basic Data: Automobile Manufacturers Association, Automotive News, Commerce Department

vious high point in the auto market. This is evidence that people have taken eagerly to new lines, gayer colors, wrap-around windshields, greater horsepower and other features the auto manufacturers are boosting.

Used cars also are selling better than last year.

Gasoline filling stations are doing a heavier business, as might be expected from the increase in cars on the road. Some auto-supply stores, on the other hand, report a dip in sales, the only soft spot in the whole automotive trade.

Heavy buying of home furnishings isn't fully reflected in the official records as yet. The Government figure on furniture and appliance stores shows only a slight rise from a year ago.

Yet one big furniture chain reports its sales in February were 20.6 per cent more than a year earlier. Another chain chalked up gains, over the previous year, of 16 per cent in January, 20 per cent in February; advance reports are said to show the trend continuing in March.

Boon to department stores. Apparently much of the increased buying in home furnishings is being done in department stores. Price cuts and promotion are enabling some stores to make headway against the discount houses.

The latest official breakdown on department-store sales is for January. It lists gains, over the year-ago level, of 28 per cent in major appliances, 19 per cent in carpets and other floor coverings, 18 per cent in furniture and bedding, 11 per cent in lamps and shades, 9 per cent in radios, phonographs and television sets.

These gains are being maintained, store officials attest.

A Washington, D.C., store claims big gains in "everything connected with the home." Sales of appliances are described as "excellent," sales of china and glassware as "particularly good."

Two factors cited by the store's advertising director are also mentioned by other merchants around the country. First, sales this year are being compared with a slack period in 1954. But there is more to the gain than that; "the building boom is still on," this official says. For a time, consumers held off on major expenditures for the home because of worry about business and jobs; now they act more carefree.

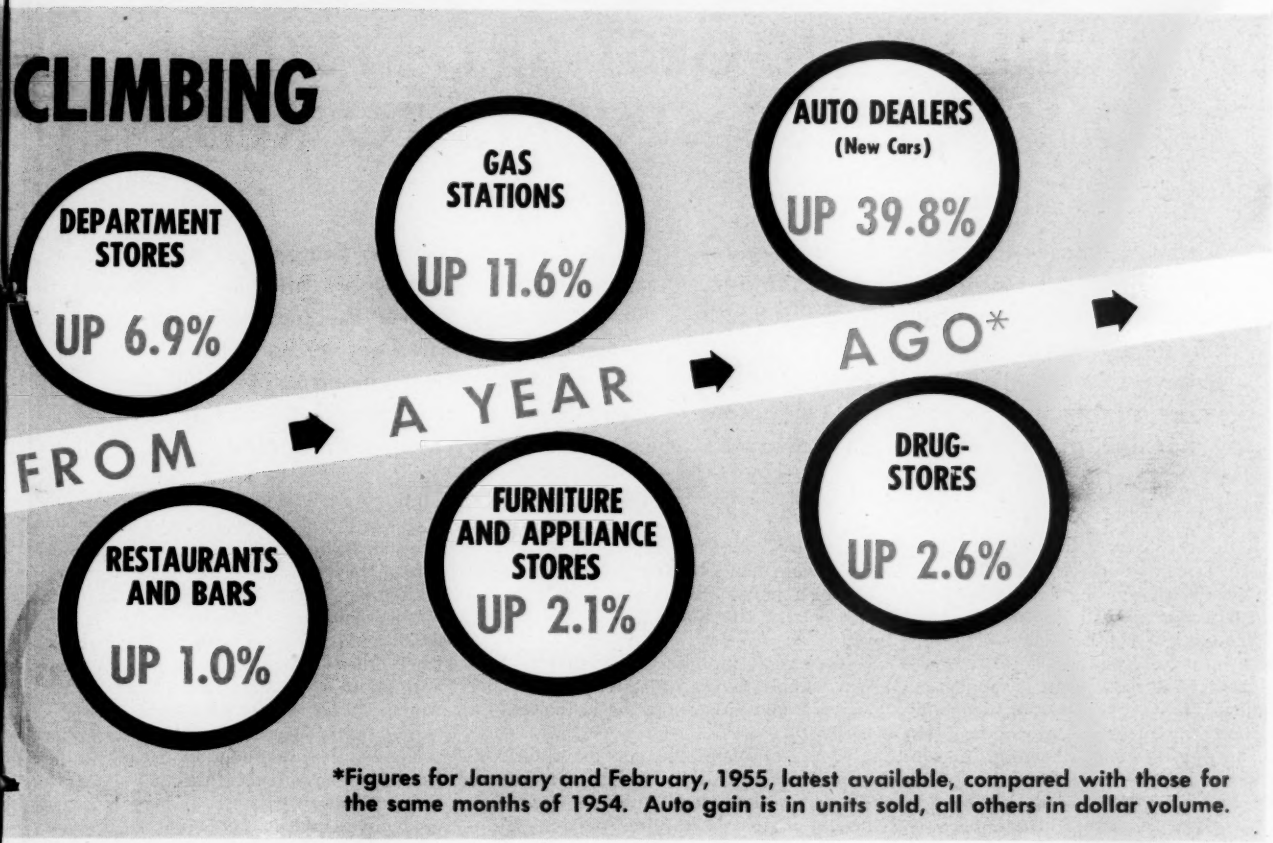
A retailer in Atlanta says the sales gain is "widespread," affecting home furnishings among other things. He sees evidence of strong buyer sentiment in some of the store's financial data.

When people are not feeling very optimistic, this merchant explains, they may spend cash freely but avoid piling up debts. In such times, cash sales may be good while charge accounts and installment purchases lag. When people bank on good times, credit buying moves up right along with cash buying. This is happening in the stores today.

Other proof of confidence comes from the Federal Reserve Board's 1955 consumer survey. Fifty-nine per cent of the people questioned said they expect "good times"; only 12 per cent predicted "bad times." Last year, these proportions were 43 per cent and 25 per cent, respectively.

People have more money, after taxes, than ever before, and many of them expect their income to increase.

Big advance sales of air-conditioning equipment are reported in Atlanta and St. Louis. A St. Louis store also says that sales of washing machines and refrigerators are better than a year ago but still "just fair." Price cuts are encouraging people to buy more of these appliances, but the store says it is "not making much money" in the bargain.



***Figures for January and February, 1955, latest available, compared with those for the same months of 1954. Auto gain is in units sold, all others in dollar volume.**

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Clothing sales mixed. The sales trend in clothing is harder to size up. Evidence is mixed.

Department stores sold more men's clothing in January than they did a year ago, and more furs, but less of other women's wear. Apparel stores in the first two months sold slightly less than they did in the 1954 period.

Some merchants say they still are not happy about the way clothing sales are going.

On the other hand, reports of a pickup in clothing sales also are numerous. A big Chicago department store says this is proving to be a "good apparel season." A Dallas store also finds clothing sales are "definitely better."

A big mail-order house reports that "sales in soft lines are particularly good" and feels people are buying clothes earlier this year because Easter comes a week earlier than it did in 1954.

Several big clothing chains say their customers began their heavy buying earlier than usual this year. A San Francisco men's-wear chain says every one of its outlets shows a rise in sales compared with 1954.

A women executive of one chain feels men are being attracted by the new "natural look" and new colors—pinks, charcoals and bright splashes in sports garb. An Atlanta merchant says synthetics and new styling are creating a demand for men's clothes; sales in this line are said to be "exceptionally good."

The luxury look. There seems to be a definite trend toward luxury. A New York department store finds clothing sales improved, except in low-price lines and millinery. A men's-wear chain says its total volume is no better than a year ago, but customers are buying more high-priced suits, fewer cheap ones.

Other gains in retail trade are tied to a prosperous, growing population. Drugstores and grocery retailers continue to chalk up gains. A New York grocery company says people are buying more steaks and roasts.

How long will the heavy spending continue? Retailers, in their own policies, give some clues to their thinking.

None of those surveyed talked of raising prices. They don't feel the boom is strong enough for that.

Merchants also insist they are not loading up with too many goods. This suggests a feeling that sales could slacken. Yet the stores also say they are preparing for at least a few more months of high-level sales; large orders for sports jackets, summer suits, dresses and furniture are cited.

Many companies now doing a brisk business in spring clothing wonder if it will be so brisk after Easter. Others, noting that sales now are compared with the recession part of 1954, wonder if the second half of 1955 will look so good; comparison then will be with the best of 1954, when sales were zooming.

Dip coming in autos? The Federal Reserve survey indicates a large proportion of those planning to buy new cars will do so before midyear. That suggests a sharper-than-usual drop in the summer.

No letup is suggested for sales of home furnishings. Owners of millions of new homes will buy for them, even if the construction pace slackens.

In general, the businessmen feel the year is off to such a flying start that it is likely to look pretty good throughout, even if it doesn't continue breaking records. People are expected to go on spending freely, so long as they feel confident and well-heeled.

U. S. firms are doing a booming business in their plants abroad, too. See page 62.

WORLD'S BIGGEST SPY SYSTEM: HOW IT FEEDS SECRETS TO REDS

A new spy case—this one in Sweden—gives a clue to the vast scope of Soviet espionage.

Red agents keep turning up, from the South Pacific to the Arctic.

Evidence is in Allied hands now to show they are all cogs in the world's most elaborate spy machine, pouring secrets into Moscow.

Case records of the Communist spies at work reveal what they are after, whom they hire, how they deliver the goods for Russia.

Agents are planted everywhere. They range from military officers to scrub women. They scour the West for information—and no detail is too small to catch their interest.

STOCKHOLM

Soviet spy rings using everything from dedicated Communists to hired agents are funneling a constant flow of Allied secrets into the Kremlin.

Many counterintelligence agents are convinced that the Russians are now operating the biggest espionage system in history—a system involving literally hundreds of informers. Apparently no scrap of information about the West is too trivial for Moscow's attention.

Sweden's security police have just sprung the trap on 15 spies who were specializing in defense and arms-production secrets. Within the last year, Soviet agents have been turned up in such scattered areas of the world as Australia, Japan and Germany. Scandinavian officials find that no sooner do they catch one set of Communist spies than they get evidence that another set has taken over the business.

In Norway, Sweden and Finland, elaborate espionage networks—organized and controlled directly by the Soviet embassies or satellite diplomats—have been uncovered in recent years. Many other individual spies have been caught operating in the highly strategic area near the transpolar air routes between the U. S. and Russia. Despite a series of sweeping roundups, Soviet spies still are active on the fringes of the Arctic Circle.

Here are a few examples that show what the spies are up to:

The espionage network just smashed by Sweden's police was gathering information about jet planes being manufactured in Sweden on British license and about the big Bofors ordnance works.

Earlier, the complete details of Sweden's main defense line in the North were betrayed to the Russians by another spy ring, and coastal-defense secrets were handed over to Moscow by a Swedish naval officer who had been in the pay of the Soviet secret police for years.

Top-secret mobilization plans of Norway were delivered to Soviet agents by an espionage ring operating in that country.

Even in Finland, virtually demilitarized after World War II, police discovered Russian agents were buying military information from Air Force personnel.

Practically everything that happens in the areas of Norway and Finland that border on the Soviet Union is reported to Russian intelligence headquarters at Murmansk by a vast network of frontier spies. They slip across the lightly guarded border with information about radar and airfield installations of the North Atlantic Treaty Organization, about troop dispositions in Western Europe and about the comings and goings of Americans in the frontier area.

The inner workings of a vast Soviet espionage organization show up in the cases that have come to light in Scandinavia. Western counterespionage experts are convinced the same pattern is used everywhere.

Communists or fellow travelers are recruited by the Russians to do their spying abroad. All spies—even the most dedi-

IN STOCKHOLM: RUSSIA'S AGENTS
. . . and more spies to watch the spies

cated Communists—are paid for the information they supply, and the Russians keep a detailed record of cash payments.

Spying on spies. The Russians apparently trust nobody—not even their most faithful agents. Often the Kremlin sets up double rings of spies to inform on each other.

Contact with local spy rings almost always is maintained through the Russian embassies—a practice that has turned out to be a major flaw in the system. In most countries, counterespionage authorities have adopted a standard procedure of checking the comings and goings of Soviet diplomatic staffs. Several of Scandinavia's biggest spy cases were broken through leads picked up during these routine checks.

Norway's most notorious spy—Asbjoern Sunde—was trapped this way, along with his entire network of agents. Sunde, a Resistance fighter during World War II, made his initial mistake when he offered to introduce an old friend to an official of the Soviet Embassy—actually an agent of the MVD, Russia's secret police. Sunde's old friend happened to be the head of Norway's own intelligence agency, and the Russian had been under surveillance for some time. From that moment on, Sunde was shadowed by the Norwegian police.

For four years, Sunde was trailed day and night. Police followed him to more than 60 meetings with members of the Soviet Embassy staff. Unwittingly, he also led detectives to other members of his spy ring—one a sergeant in the Norwegian Army, another working in a shop that printed passports on Government contract, another a charwoman in the office of the inspector general of Norway's Home Guard.

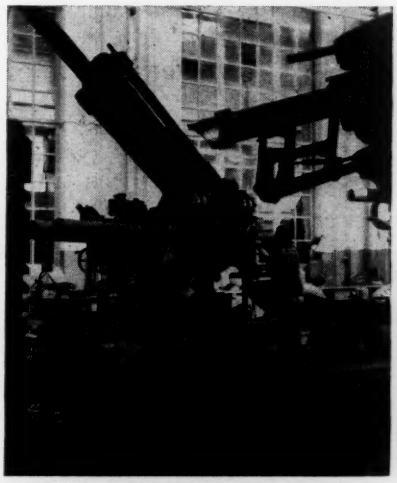
When police finally broke the case, they found that Sunde's agents, despite their lowly status, had managed to get an impressive array of secrets—the location of military supply depots, complete mobilization plans and other confidential military papers. And they found something else—one of the agents hired by Sunde was also being paid by the Russians to spy on his boss.

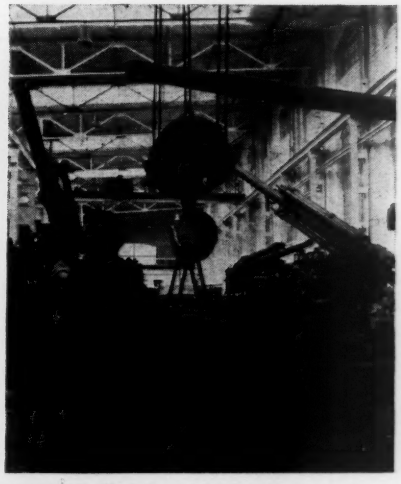
Sweden. One of the top spies in Sweden—Ernst Hilding Andersson—also was trapped as a result of his meeting with Russian Embassy employes. Andersson, a chief petty officer in the Swedish Navy, was caught in 1951 when he was contacted by a chauffeur for the Soviet Embassy. The chauffeur was being trailed by the Swedish police at the time and he led them right to the sailor.

Police followed the sailor for months. When they finally arrested him, he readily admitted his spying activities. He had been working for the MVD for five years. During that period he had fur-

WHAT 15 SPIES SOUGHT IN SWEDEN:

SECRETS OF THE NATION'S NORTHERN DEFENSE LINE . . .





. . . INFORMATION ON THE BIG BOFORS ORDNANCE WORKS . . .

—Wide World, American Swedish News Exchange

. . . AND THE JETS BEING MANUFACTURED ON BRITISH LICENSE

Everything from rumors to detailed specifications was passed along

[continued]

WORLD'S BIGGEST SPY SYSTEM

nished the Russians a list of warships stationed at the Stockholm naval base, the disposition of the fleet in the Baltic, complete reports on Sweden's highly secret defense installations along the Northeast coast. He was sentenced to life imprisonment.

Several months after Andersson went to prison, another Soviet spy ring was broken up in Sweden—this time by luck more than anything else. The head of the ring, Fritiof Enbom, had made a career of Soviet espionage for 10 years. During that period he and his agents furnished the Russians detailed plans and photographs of Sweden's "Kalix Line," the main defense fortifications against overland invasion from the north. He also delivered specifications and photographs of many of Sweden's airfields and other military installations.

The Enbom case broke when the spy, surprisingly enough, told his landlord of his career as an espionage agent. The landlord told the Ministry of Defense. Eventually Enbom was sentenced to life imprisonment.

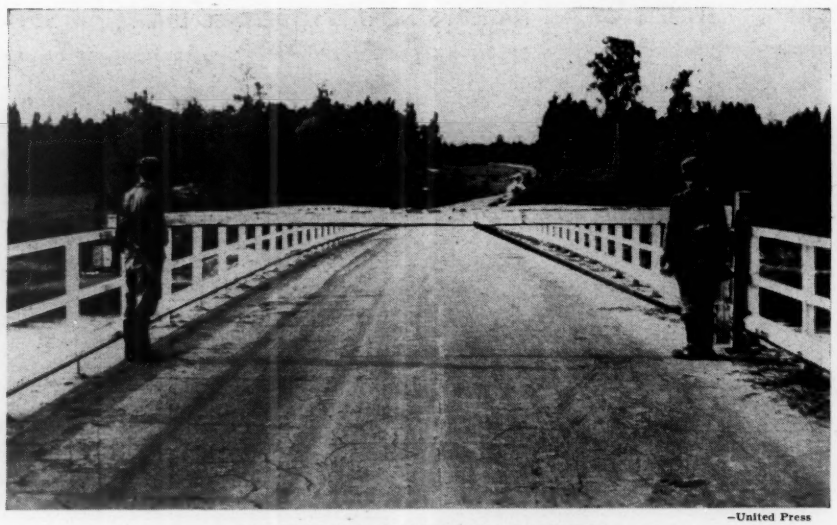
Finland. A different type of Soviet spy appeared in Finland—a non-Communist who spied solely for cash. Martti Salo, a captain in the Finnish Air Force in charge of the air-photo section, and his assistant, Sgt. Olavi Naukkarinen, were sent to prison for selling secret aerial photographs and other military information to foreign powers. It developed that over a period of six years Captain Salo received more than 1 million Finnish marks for information delivered to the Russians through a Communist spy ring operating in Helsinki.

Counterespionage agents point to this case as an example of Soviet eagerness to know everything that is going on, no matter how trivial. Why they would bother to buy military information in Finland is a puzzle—because the Russians, after Finland's surrender in 1944, had access to aerial photographs of the entire country.

Still, frontier espionage in Finland, as well as Norway, is carried on by the Communists constantly and on a large scale. Police authorities say the Russians have heavily infiltrated the border regions of Finland and Norway with paid agents who supply the MVD with "low-grade intelligence"—such things as the strength and location of border guards, the identity and movement of foreign visitors, political and labor developments in the area.

Hardly a month passes that the Finns do not arrest one or more of these border spies. During the last year more than 20 were taken into custody.

In Finland's desolate Far North—Lapland—there have been several roundups of border agents in recent months. Ten men were arrested in one village. Six of them were tried on charges of having spied for the Russians since 1948. In another case, two men were arrested and one admitted that he had crossed the border 24 times in eight years to deliver information to his Soviet employers.



—United Press

ON THE FINNISH-RUSSIAN BORDER
. . . espionage is constant and on a large scale

Danger to U.S. and NATO. Frontier espionage on Norway's narrow northern border with the Soviet Union is more dangerous for the West, since the North Atlantic Treaty Organization is building a chain of radar stations and air bases in that region. The NATO installations guard the northern air approaches to England and the transpolar approaches to the U. S. They also are within fighter range of Murmansk and other Soviet bases in that area.

One Norwegian security official concedes that the area is honeycombed with Soviet agents. Many of these are under surveillance. One group of seven was arrested after a Soviet MVD officer deserted, crossed the border and informed on the spies. Investigation revealed that the seven were hired agents, working individually. Each had been required to sign an oath of allegiance to the Soviet Union which stated he would die before revealing the spying activities.

The Norwegians also caught a fisherman who had been hired by the Soviet Union to ferry Soviet agents across a fiord between Norway and Russia. This case opened up a whole new aspect of Communist espionage operations. Police found evidence of considerable clandestine traffic by a different type of spy—Russian nationals who were schooled in the Soviet Union for espionage duty.

One of the agents who entered Norway this way was a Soviet citizen of Norwegian descent. He had been trained in a Soviet spy school in 1942 to do intelligence work in Scandinavia. The spy was arrested on his fourth trip into Norway.

The Russian, once arrested, admitted he was a spy for Soviet naval intelligence. He admitted he was attempting to obtain information on Western defense developments in Norway and also was under orders to organize a local espionage ring.

What interests Allied authorities in the Scandinavian spy cases is the fact that most of them fit into a uniform pattern, probably used by Communist agents all through the West. Dozens of Russian spies have been caught and jailed, but security authorities are sure that many more still are busy in this strategic area that borders the Arctic Circle.

The scope of Russian espionage in this one corner of the world is enough to convince intelligence experts that Moscow is now headquarters for the most elaborate and far-reaching spy system in the history of the world.

Do you know the best way to evaluate your firm's Workmen's Compensation insurance?

THE FRAME OF MIND of your returning employee is a fairly accurate gauge of the effectiveness of your Workmen's Compensation plan in action—and one your other employees will be quick to notice.

Just keep your eye on the employee returning to work after being laid up in an accident covered by the insurance.

If the employee's claim was administered by men who didn't know their business—if he had to argue and wrangle and wait to receive his compensation checks—everyone in your office or plant will know it.

On the other hand, if the employee's claim was dealt with by experienced, skilled, *available* insurance men—if he got not only what was due him, but some extra attention besides—everyone in your office will know *that*, too.

The result will be employee good will. And what a difference in productiveness that can make!

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Is Ike Changing His First Team?

Key Advisers Still in Power Despite Shifts

Changes are now being made in the White House staff. Old aides are leaving, new ones are being added.

People wonder: Is Ike shaking up his team of advisers?

Answer is: President's staff is growing. This means new faces, some job shifts. But the inner circle remains the same.

Sherman Adams and General Persons are still the top men.

Hiring of new men, changes in names and jobs, all of the switches being made in the White House working staff are leaving virtually untouched President Eisenhower's No. 1 team of advisers.

Recent shifts within the Administration, such as the decision to give Harold E. Stassen equal rank with Cabinet members while he studies disarmament, are raising speculation. Questions are asked about the meaning of Mr. Eisenhower's shake-up of his corps of advisers.

Behind this speculation is the fact that the White House staff is expanding from 34 to 44. It is the biggest any President ever had. New specialists and advisers are being brought in. Inside the staff, men are being moved about. A few men have left and others have taken their places.

From inside the White House, however, it now is possible to report that the President, despite staff changes, has as those closest to him now about the same men as those who came with him to Washington at the start of his term.

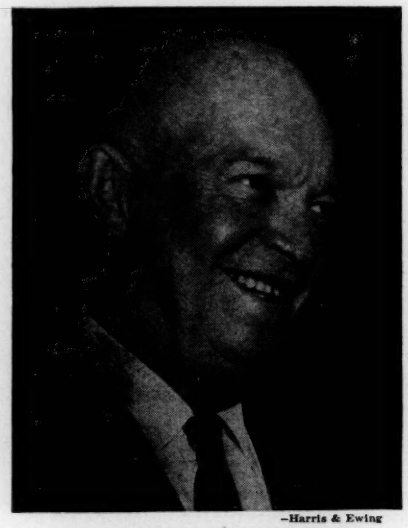
It is Sherman Adams, the former New Hampshire Governor, who is top man among the White House aides as Assistant to the President. He bobs in and out of the President's office whenever necessary, sits in on meetings of secret groups, is close to Mr. Eisenhower when important decisions are being made, really runs the White House staff.

Just as handy to the President's office as Mr. Adams is Maj. Gen. Wilton B. Persons, close and trusted friend of Mr. Eisenhower. He is the Deputy Assistant.

Two top aides. Mr. Adams and General Persons are the two men who see the President most often. They move into his office without formality, share his private thoughts and jokes. They know how he wants things done, divide their responsibilities, keep an efficient staff moving.

Other staff members also see the President often. But their comings and goings are more restricted than those of Mr. Adams and General Persons.

James C. Hagerty, the Press Secretary, keeps Mr. Eisenhower informed of important news developments. He passes presidential reactions along to the newsmen assigned to the White House, and briefs the President on questions that are expected at press conferences.



–Harris & Ewing

FOR PRESIDENT EISENHOWER
. . . the biggest staff in history

Gabriel Hauge, an Administrative Assistant, sees the President each week to give him a briefing on what is happening to the nation's economy. A Minnesota educator, he tries to make economics palatable for the President. So well do his words stick that sometimes Mr. Eisenhower quotes Mr. Hauge verbatim in answering economic questions.

Legal watchdog. Gerald D. Morgan, the President's lawyer, has the job of seeing that everything Mr. Eisenhower signs is correct, legally and literally. He is one of the few men at the White House equipped to do this. Mr. Morgan, as a legislative counsel for the House of Representatives, used to write legislation. He has just moved into the job as Special Counsel to the President.

Bernard M. Shanley, who used to be counsel, has moved into the office next to the President to become Appointment Secretary. He took over that place when Thomas E. Stephens left to go back to his law practice in New York City.

These are the men to whom the President's office door opens most readily. They see him quickly and easily, regularly. All of them have been at the White House for quite a while. Recent additions to the staff do not necessarily put the new men on the list of intimates.

Dillon Anderson, a Texas attorney, chosen to replace Robert Cutler as Special Assistant for National Security Affairs, does not automatically move into a top spot at the White House. He must win his way to the esteem held for Mr. Cutler by the President. Mr. Cutler is returning to his Boston banking business.

Other trouble shooters. There are others who see the President only when their work brings them across his path. Kevin McCann, an educator, writes speeches for the President. Bryce N. Harlow works at congressional liaison. Maxwell M. Rabb is Secretary to the Cabinet, does trouble-shooting jobs. Col. A. J. Goodpaster briefs the President on top-secret defense and security material.

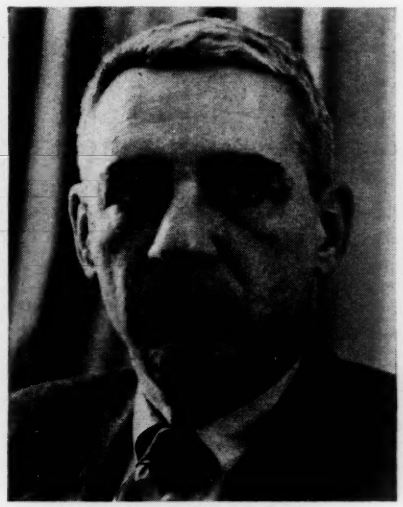
Some names have been added within recent weeks. Fred A. Seaton, former Senator from Nebraska, became a member of the congressional-liaison team. Nelson A. Rockefeller went to work on psychological warfare. Howard Pyle, former Governor of Arizona, took the job of dealing with States and municipalities. And more jobs are being created.

Through his group of top aides, Mr. Eisenhower keeps informed of what is being done in the executive departments, of urgent situations that may be developing outside the Government. They pass along his wishes to the departments. They speak for him with members of Congress. They decide what outsiders shall have access to him.

Varied roles. Although there is some overlapping in the functions of Mr. Adams and General Persons, there is a fairly clear line separating their work. In the main, Mr. Adams is an organizer and deals with Government departments. General Persons is a specialist on relations with Congress.

Mr. Adams really is the "chief of staff" for Mr. Eisenhower, although neither he nor the President likes that term. Mr. Adams is the only man at the

SHERMAN ADAMS
. . . Assistant to the President



GERALD D. MORGAN
. . . Special Counsel

GABRIEL HAUGE
. . . Administrative Assistant

White House who has authority to order the agencies of Government into action in the absence of the President.

The reliance of the President upon Mr. Adams has been unshaken by outside criticism. Indeed, outside attacks upon Mr. Adams tend to make the President feel warmer toward him. Mr. Eisenhower feels that shots intended for him are being drawn by Mr. Adams.

The President regards Mr. Adams as coming closer to understanding his own "middle of the road" political philosophy than anyone else. He doesn't worry about interpretations Mr. Adams makes of his orders. This is not true of all his aides.

The job of Mr. Adams is to take as much of the burden as he can off the President. He is in on everything at the White House. He goes to meetings of the National Security Council and the Cabinet, meets with party leaders, attends the special briefings of the President by others.

Congressional liaison. General Persons has to be prepared to take over as "chief of staff" when Mr. Adams is away. One of his major tasks is directing the over-all job of getting the President's legislative program through Congress. He has a staff of aides, headed by I. Jack Martin—who once was an assistant to the late Senator Robert A. Taft of Ohio—to help do this.

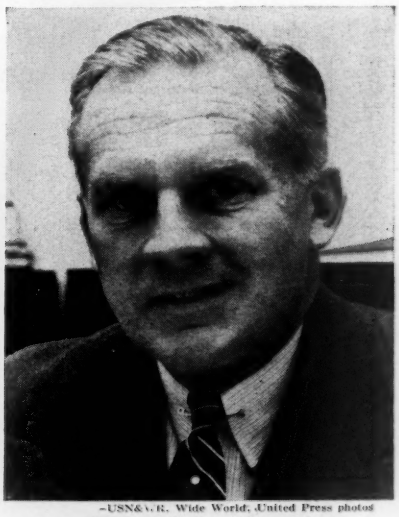
Mr. Eisenhower can relax more with General Persons than with any of his other aides. Their familiarity is of long standing. They have played bridge and swapped jokes together. They have a real feeling of being teammates.

Somewhat the same team spirit reaches down through the ranks of the other aides. And Mr. Eisenhower feels that he has developed a highly efficient organization in his enlarged White House staff. Some units are changing, but the vital parts remain the same.

Harold Stassen's new role in the President's official circle, and what it means —page 52.

MAJOR GENERAL PERSONS
. . . Deputy Assistant

JAMES C. HAGERTY
. . . Press Secretary



U.S.N.&W.R. Wide World, United Press photos

BERNARD M. SHANLEY
. . . Appointment Secretary

MILITARY CAREER TO PAY MORE

Aim Is to Prevent Trained Men From Leaving Forces

Pay raises finally are in store for career servicemen.

To cut high turnover rate, entire pay scale is being revised.

Biggest breaks go to young men after a few years in uniform.

Americans in military uniform are about to get a pay raise, their first since 1949. The average boost, this time, will be about 12 per cent.

Behind the new military pay plan—which has passed the House and is almost certain to be approved with only minor changes by the Senate—is a major effort to cut down the turnover in the armed services, with the re-enlistment rate now near the all-time low.

Since the services' last pay raise six years ago, for example, the Army's re-enlistment rate has dropped from 41.2 per cent to 11.6 per cent.

Navy re-enlistments have dropped even further during this period, from 66 per cent to only 8.1 per cent in the last half of 1954.

Even the Air Force, growing in emphasis during the past few years, has felt a cutback in re-enlistments, from 56 per cent to 22.4 per cent.

A military career, in other words, appears to be losing its appeal to American youths. Officers, as well as enlisted men, are becoming hard to retain. Only 6 per cent of Air Force officers who do not have regular commissions are applying for them. In the Navy, it's only 3.4 per cent. Resignations are far above normal.

Cost of this rising turnover, the services figure, is running into the billions. Just to get and train one replacement costs an estimated $3,200 for a basic private, $8,900 for a Navy electronics technician, $120,000 for an F-94C pilot, $275,000 for a B-47 pilot.

The new pay scale, as likely to be accepted without major change by Congress, is laid out for you in the table on this page. These dollar amounts are computed for a typical length of service for each rank, and include allowances for an officer with dependents and an enlisted man with a wife and one child.

No increases are provided for officers with fewer than three years of service or for warrant officers or enlisted men with fewer than two years.

Biggest increases, percentagewise, for officers, are provided for second lieutenants with more than three years' service, and, among enlisted men, for corporals with more than eight years' service.

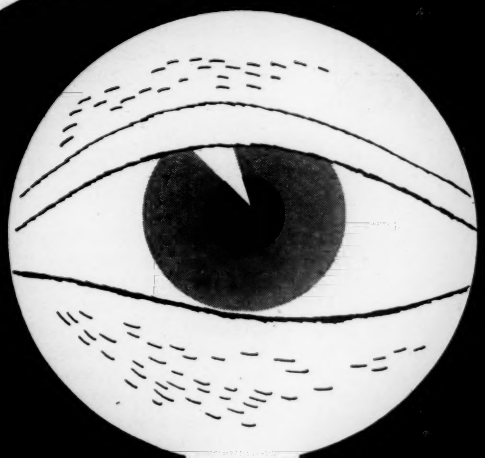
In addition, if Congress goes along, there are to be major increases in hazardous-duty pay, an increase in retired pay, per diem, allowances for transferring service families, and cadet pay. The estimated total yearly cost for all pay increases: 734 million dollars.

Raises for Servicemen—The Plan in Congress

(Monthly base pay and allowances, computed for men with dependents and a typical number of years of service.)

Rank	Present Pay	Proposed Pay*
Major General and above Rear Admiral (upper half) and above	$1,211.82	$1,295.28
Brigadier General Rear Admiral (lower half)	1,048.80	1,123.68
Colonel Navy Captain	821.94	902.28
Lieutenant Colonel Commander	688.56	746.28
Major Lieutenant Commander	597.36	651.18
Captain Navy Lieutenant	506.16	556.08
First Lieutenant Lieutenant (j.g.)	431.08	477.48
Second Lieutenant Ensign	370.50	429.78
Warrant Officer (W-4)	561.01	588.78
Warrant Officer (W-3)	475.82	497.58
Warrant Officer (W-2)	414.46	446.28
Warrant Officer (W-1)	360.36	400.18
Master Sergeant Chief Petty Officer	321.71	350.10
Sergeant First Class Petty Officer 1st Cl.	283.49	311.10
Sergeant Petty Officer 2d Cl.	245.27	268.20
Corporal Petty Officer 3d Cl.	207.05	217.50
Private First Class Seaman	184.12	194.10
Private (over 6 mos.) Seaman Apprentice	162.90	162.90
Private (over 4 mos.) Seaman Recruit	160.30	160.30
Private (under 4 mos.) Seaman Recruit	155.10	155.10

*As provided in pay bill passed by House.



17,763* manufacturing V.I.P.s on the lookout for better Production!

No need to squint through a keyhole, though. It's no secret that the latest, the fastest, the most ingenious in cost-cutting metalworking methods will be unveiled at the Machine Tool Show, in Chicago, in September.

More than ninety per cent of the country's leading machine tool builders will be on hand; it's the largest and most important show of its kind, the first since 1947.

Plan now to attend; you can't afford to miss it. And here's an added reason—you can see the latest in machine tool accessories at no additional cost. Your Machine Tool Show badge will admit you to the Production Engineering Show, on the Navy Pier, on the same dates.

Bring your key production people with you; share with them this unequaled opportunity to see the latest developments in machine tools. The 1955 Machine Tool Show is the best chance you've ever had to see **the world's best investment—*in action!***

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September 6-17, 1955

NATIONAL MACHINE TOOL BUILDERS' ASSOCIATION
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Reds Gone, Troubles Stay

Guatemala Nearly Broke, Feels Let Down by U. S.

Throwing out a Red government hasn't been an automatic cure-all in Guatemala. The new Government is beset by problems.

The treasury is almost empty, looted by Communists. Jobs are short. So is capital. And the U. S. is getting part of the blame.

American aid for the anti-Communists is coming in slowly. Up to now it is long on projects, but short on cash.

GUATEMALA CITY

A good many people in this uneasy country are wondering whether it really pays to ditch the Communists and line up beside the United States.

It is more than nine months since a revolution led by Col. Carlos Castillo Armas toppled the Government of President Jacobo Arbenz Guzmán, the only pro-Communist regime ever to run an American country. As President, Castillo Armas soon found that the Communists and fellow travelers had looted the treasury of its last centavo, boosted the Government's debts from $300,000 to 38 million dollars and brought the country to the brink of collapse.

—Herblock in the Washington Post and Times Herald

"NO PAY FOR THE PIPER?"

The money is needed now . . .

Fast, generous help from the United States was counted on, once the pro-Communists were thrown out.

Those expectations are not panning out. There is an undercurrent of political uncertainty. Although business has recovered somewhat, little private capital is being invested. The Government is unable to pay its past-due bills. There is some unemployment. People are worried over the sharp drop in the price of coffee, Guatemala's main export.

Although Guatemala hasn't reached a state of crisis, things here aren't good. Some people, trying to find a simple reason, put the blame on the U. S., complaining that help from Washington has been neither generous nor fast.

All told, the U. S., since the revolution, has allocated cash and technical assistance valued at $6,425,000—about half as much help as Bolivia is getting this year. To take full advantage of the $6,425,000, Guatemala must put up about 2 million dollars of its own.

Only now is the U. S. aid program really rolling, and it still has not reached full speed. Here is what is happening:

• Construction began a few weeks ago and now is going full blast on a 72-mile road to tap the fertile Pacific slope. This is the biggest project on the program. The U. S. has earmarked 3.2 million dollars for it. Guatemala's share is 1.5 million.

• Work on a 35-mile stretch of the Pan-American Highway was started recently on an emergency basis. Contracts have not yet been let, and it probably will be June before construction crews are at work in full force. The U. S. has allotted $1,425,000 for this project; Guatemala has to put up $712,500.

• The U. S. is preparing to spend $500,000, to be matched by $500,000 in Guatemalan money, in putting 300 rooms and the overhead services of the Roosevelt Hospital into operation. Started in 1943, this 1,000-bed building has not been equipped, and it never has been used, except briefly as barracks for the revolutionary army. Two of the six American experts slated for this project are on the job.

• Rural education is down for $100,000 from the U. S. and a like amount from Guatemala. In this country of 65 per cent illiteracy, rural education is a high-priority project. So far, one of the seven American technicians scheduled for this work has reached Guatemala.

• Another top project is the establishing of an extension service to show peasants how to raise more and better crops. The budget for this project is $200,000—half Guatemalan and half American. The technicians are here.

• A firm of American consultants has been hired to advise the Government on overhauling the bureaucratic setup left by Arbenz and on planning some phases of economic development. The first consultant arrived about two weeks ago.

• Another private organization in the U. S. has been retained to outline a program of supervised farm credit, to replace the politically run system established by Arbenz. Representatives of this organization are on the job.

How much, how quickly? Several of these projects are barely getting started, and some of them will take years to complete. But Guatemala needs money and help now. Nobody here, either Guatemalan or American, seems satisfied with the slow progress being made with the aid program. There is the question, also, of how long Guatemala will be able to provide matching funds.

On the surface, it looks as if the U. S. Government had let Guatemala down. A careful look beneath the surface, however, shows that it's not quite as simple as that. There have been obstacles and delays all along the line, starting with the Guatemalan Government itself.

—Raul Gonzales

PRESIDENT CASTILLO ARMAS

. . . planning takes time

The top men in this Government are inexperienced. Before he became President, Colonel Castillo Armas's only administrative job had been as superintendent of the national military academy. His Cabinet members are novices in government. Personal loyalty, rather than know-how, is the first requisite for appointment.

When a Minister is suspected of becoming ambitious, often he loses out. Sometimes he leaves the country at the point of a gun. That happened recently to Lieut. Col. Elfego Monzón, the Government's one high official with considerable experience. Men who made good records as Government administrators before the Communists moved in are not appointed to responsible jobs. One of them, whose offer to help was refused, has been hounded into hiding.

While the inexperienced men in Government are sure that they want help on a large scale, often they do not know exactly what kind of help they want and need. At times they propose schemes that are considered impractical for an agricultural country whose 3 million people have an average annual income of only about $80.

One official wanted to spend 40 million dollars on the Government-owned telephone and telegraph system. Another has elaborate ideas about making the rural schools immediately into centers of social service. American officials think it is more important to teach the three R's to illiterates.

The U. S. State Department is coming in for part of the blame for delays in helping Guatemala. Soon after the revolution, the Department transferred most of the top men out of the U. S. Embassy here. Their replacements needed time to become familiar with Guatemala's problems and gain the confidence of the Guatemalan officials.

Priority to roads. For months, Embassy officials have been working overtime, going over proposals with Guatemalan officials and trying to come up with something practical and essential. As a result, the biggest emphasis now is on building roads so as to open the interior to development and bring in more American tourists.

Government red tape in Washington also is slowing up the aid program. After Guatemalan and American officials here finally agree on a project, details have to be gone over in Washington by officials of the State Department and the Foreign Operations Administration. That means more delay. And finally there is the problem of recruiting personnel.

It's hard to find people back in the United States who speak Spanish and who are technically qualified for the

(Continued on page 32)

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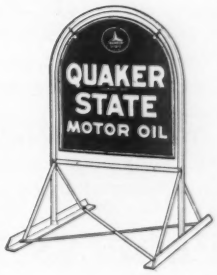

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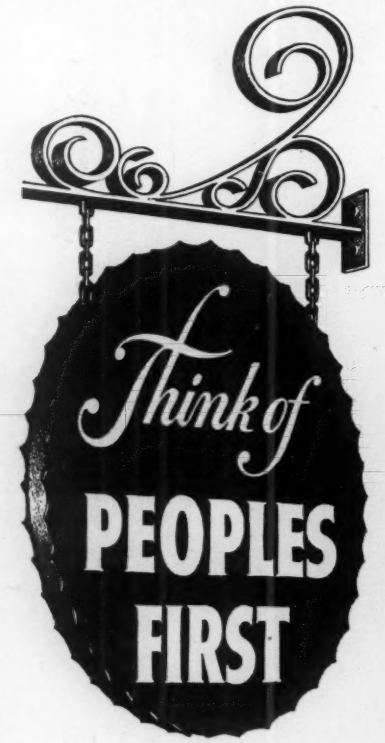
WHEN YOU THINK OF PITTSBURGH



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[continued]

REDS GONE, TROUBLES STAY

special tasks in Guatemala. Often the qualified people refuse to leave steady jobs and take their chances with an agency—the Foreign Operations Administration—that is slated to fold up on June 30. Sometimes the Guatemalan Government refuses to accept good people who are being hired. Once people are hired in the U. S., it takes from three to six months to complete their security clearance and get them down to Guatemala.

American and Guatemalan officials, alike, expect the aid program to pick up speed from now on, and plans to expand it are in the works. The programs of road construction and technical assistance are to be enlarged. Attention is to be given to building up the cattle industry.

New plans coming up. American officials say they are willing to make more money available for use here, provided it is spent on sound projects. Guatemala's National Planning Council, which has been at work for months, is expected to come up before long with ideas for the country's development. Some of these are likely to get U. S. aid. At this time, however, American officials are not thinking in terms of big handouts to keep the Castillo Armas Administration afloat, although it may come to that if a serious financial crisis develops.

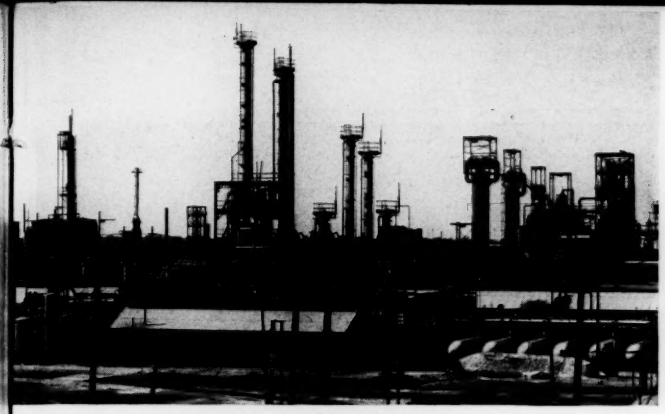
One American official says: "We can't just hand out baskets full of money. We have to be able to show Congress that the financial help we are giving is being used wisely."

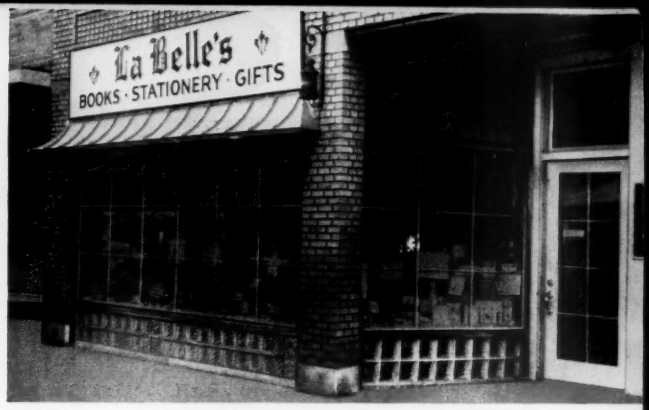
A good many Guatemalans can't see, however, why the U. S. insists that its aid program be based on matching funds. Because of the bills and looted treasury left by Arbenz, the Government's internal debt has risen from 38 million dollars to nearly 50 million dollars since the revolution. President Castillo Armas had to decree a special set of emergency taxes to meet past-due payrolls and other pressing expenses.

Now, with the price of coffee down, the Government faces a drop in the export taxes that are one of its main sources of revenue. The $800,000 a year in new taxes that the United Fruit Company is beginning to pay is not expected to make up for the decline in tax revenue from coffee.

Guatemalans don't know where they will get the money for an expanded aid program if the United States keeps insisting on matching funds. Thoughtful people here admit that the U. S. is not to blame for all their troubles. But they are beginning to wonder why the United States—which has handed out billions in Europe and Asia—isn't giving more help, with fewer strings attached, to the one American country that has thrown out a pro-Communist Government.

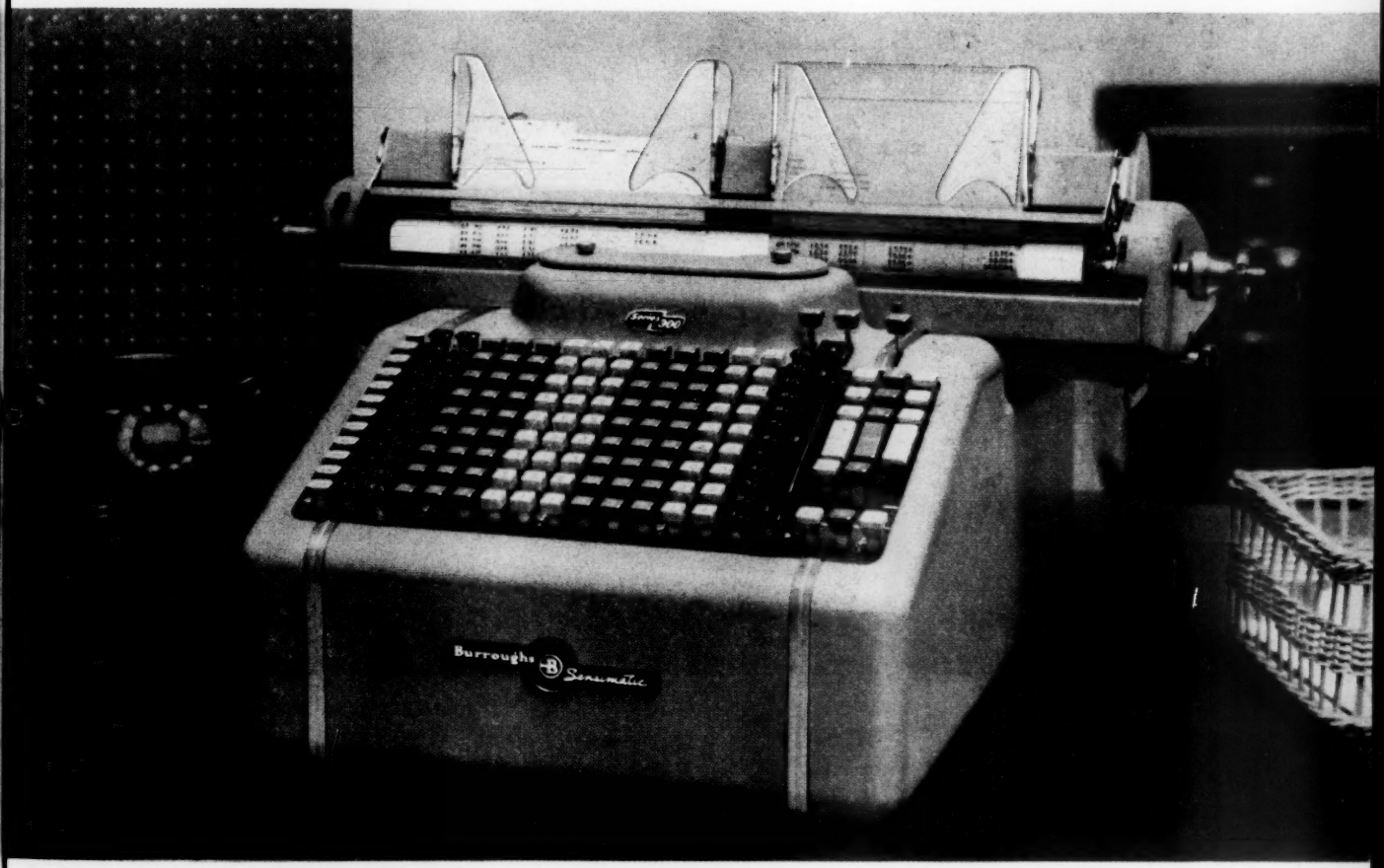
GUATEMALA AND ITS WORKERS DEPEND UPON COFFEE
The price is down, and so are tax revenues





Big—like Dow

Or small—like La Belle's



Burroughs Sensimatics can cut your accounting costs

Because they're *faster*—do more work in less time—Burroughs Sensimatic Accounting Machines are the top choice of leading corporations . . . like The Dow Chemical Company.

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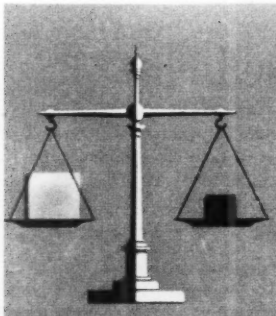
At La Belle's, "most complete gift shop in Michigan," a single job-shifting Sensimatic and one bookkeeper can handle all accounting with ease. While at Dow, major producer of chemicals, plastics, and magnesium, Sensimatics function differently—as high-speed, highly automatic workhorses concentrated on special procedures.

To be all this—both the fastest and most versatile accounting machine you can buy—Sensimatics are built with a Burroughs exclusive: an interchangeable, four-job "sensing panel" that guides each automatic movement. Any number of panels can be used with each Sensimatic, and as your needs change, you simply change panels to handle new jobs or systems.

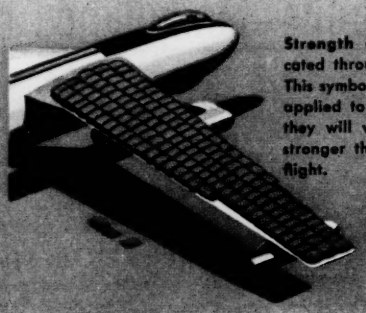
For a demonstration (Sensimatics are made in six series, two to 19 totals) call your Burroughs man. Burroughs Corp., Detroit 32, Mich.

Wherever There's Business There's Burroughs

If it must be light yet strong...

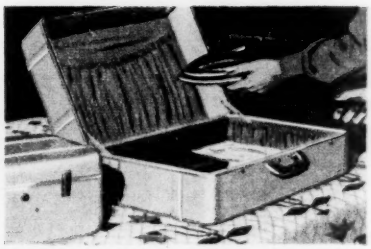


Lightness of aluminum is shown by comparing it to heavier metals such as steel, copper, brass, zinc. It weighs only about one-third as much as these metals . . . thus enables today's giant aircraft to carry enormous loads.

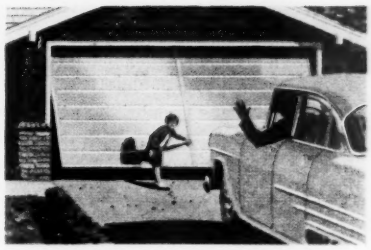


Strength of aluminum is indicated through this sand bag test. This symbolizes the tons of weight applied to wings to make certain they will withstand pressures far stronger than are encountered in flight.

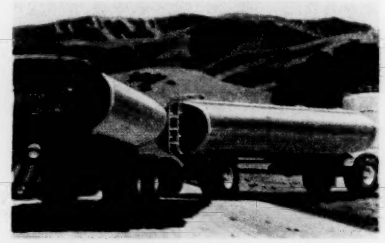
Sportsman's Delight! You don't need muscles to lift a boat made with Kaiser Aluminum—it's *light!* You're as safe as in your own bathtub—it's *strong!* Resists salt water corrosion, *keeps* its beauty!



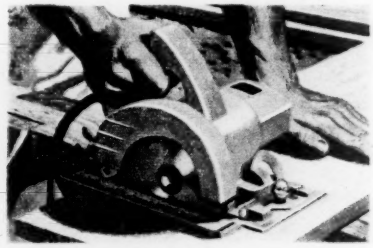
Travel light! Luggage made with Kaiser Aluminum looks solid, rugged, durable—and it is! But it's also as *light* as it is beautiful. That convenient travelling iron has the same combinaton of advantages!



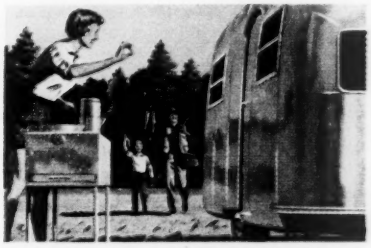
Give your back a "break"! Why wrestle with a garage door made of heavy materials? When it's made with Kaiser Aluminum, Junior can lift it with one hand. And you get strength, beauty, corrosion resistance!



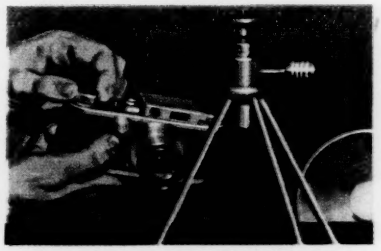
Make more profits! If you operate truck tanks made with lightweight Kaiser Aluminum, you'll get more payload, make more money! Cargoes are safer with non-magnetic aluminum's strength, resiliency.



Save your strength! You'll cut more wood, cut down on fatigue, with a portable power saw made with Kaiser Aluminum—it's so light, easy to handle. It's also rugged and durable, and it won't ever rust.

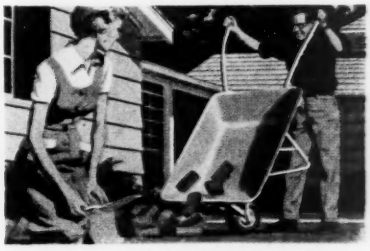


Easy on your purse! You'll save money with a lightweight house trailer made with Kaiser Aluminum! It eliminates weight, reduces tire and engine wear, cuts fuel costs. No rust streaks to mar its beauty!



Cameraman's companion! Fold this camera tripod, put it in a tube, and carry it in your hand—aluminum is that light! The camera is also light, strong, economical—thanks to aluminum.

Farmer's friend! It's "easy-does-it" when farmers use irrigation pipe made with Kaiser Aluminum. So light, one man can move large sections. So strong and corrosion resistant that the pipe lasts for years.



More fun for gardeners! Wheelbarrows and garden tools made with Kaiser Aluminum make *light* work of gardening. Save you money, too, because aluminum won't rust and can take hard work for years.

think of *Kaiser Aluminum*

IT'S OBVIOUS that the *lightness* of aluminum helps make possible the giant planes of today.

But what is it about aluminum that permits it to take furious beatings from violent storms and still remain intact?

The answer lies not only in the great *strength* of aluminum, but also in its *resiliency*. For example, an aluminum wing can withstand pressure of more than 700,000 pounds . . . be forced through an arc of 20 feet . . . *without a break.*

Lightness and strength with resiliency are only a few of the properties which make aluminum the most *versatile* of all metals. It also resists rust and corrosion. It conducts heat and reflects light. It's workable and economical.

This unique *combination of advantages* explains why aluminum is revolutionizing American manufacturing and American living . . . brightening your life with thousands of new and better products—at lower cost.

Today, more and more manufacturers think of Kaiser Aluminum for an abundant source of supply and for unsurpassed customer service. For Kaiser Aluminum is the fastest growing of the nation's major aluminum producers. We now have the capacity to produce close to 30% of all the primary aluminum made in this country.

We have also greatly increased the diversity of our mill products to provide manufacturers with aluminum in all its many forms.

We are continuing to expand. For we believe that this dynamic industry is only on the threshold of its greatest growth.

To help speed this growth, we are dedicated to the job of working with manufacturers to help develop better products, both new and old. Kaiser Aluminum & Chemical Corporation, 544 Kaiser Bldg., Oakland 12, California.

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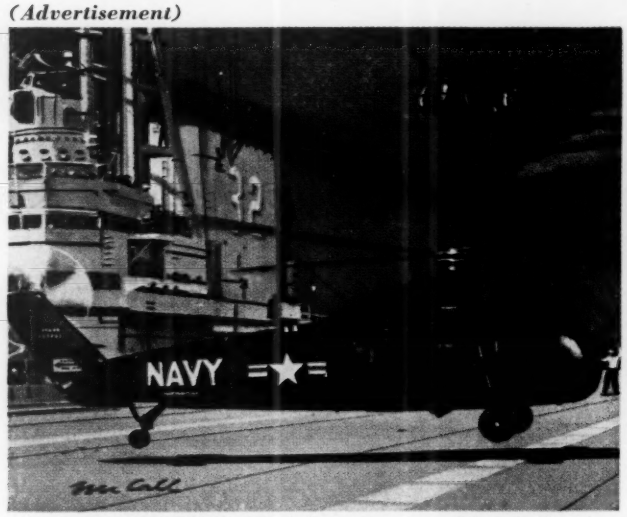


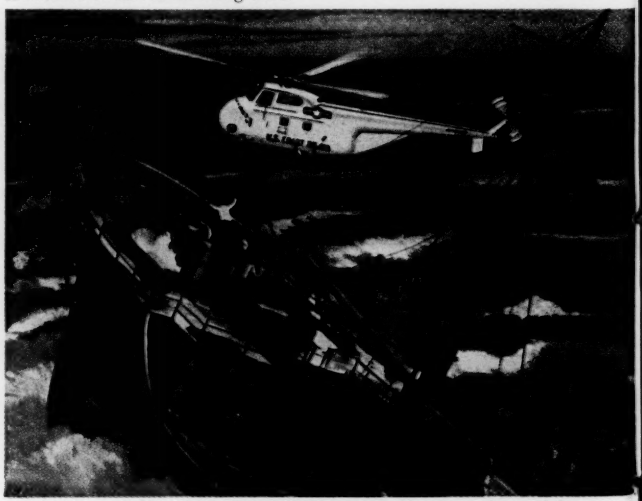
NAVY'S NEW BIG SIKORSKY HSS helicopter, a powerful anti-submarine weapon, will operate from carriers. Army and Air Force versions will be called H-34s. Also pictured above is a Piasecki HUP.

HUGE, TWIN-ENGINE HR2S is a transport helicopter (H-37 in Army and Air Force) built for the Marines by Sikorsky. It can carry two combat squads, three jeeps or 24 litter patients.

IN BATTLE, Army helicopter companies flying big Sikorsky H-19s are vital for fast supply, or troop movement, casualty evacuation and other urgent work. Smaller Bell H-13s are widely used as well.

MARINES PIONEERED combat use of helicopters in Korea. For example, HRS Sikorskys took part in rocket barrages, quickly flying rocket launchers to and from firing sites.

ARCTIC OR JUNGLE, land or sea, versatile Air Force Sikorsky H-19s can make fast, sure rescues in any emergency. Piasecki H-21s (above, flying) also are flown by the Air Force and the Army.



COAST GUARD pilots fly helicopters for search, rescue and patrol duty, and to aid navigation. They have big HO4S Sikorskys (above) and smaller Sikorsky and Bell models.

OF MILITARY HELICOPTERS

Another example of continuing progress in rebuilding American Air Power

The great importance of Air Power in national defense is well recognized today. It is so important that every citizen should know what progress has been made in rebuilding air strength, and what must be done to keep it once it has been achieved.

America's armed forces and her aviation industry are working together to produce aircraft that are second to none in performance, safety and quality. Among them are larger, more powerful helicopters, like those pictured on the opposite page.

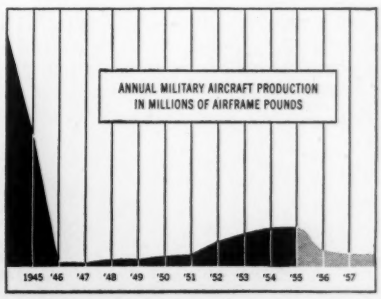
Production of helicopters and military aircraft of all types is now over four times as great as it was when war started in Korea in June, 1950. Planned levels of air strength are being reached in a steady build-up toward fully modernized air services in 1957.

But aircraft production alone is not enough to sustain Air Power. Strength in future years also depends on continuous, year-in, year-out research and development work in all branches of aviation. In the face of constant threats and challenges from abroad, such advanced work—along with production—becomes more important than ever.

Today, America is beginning to benefit from just such long-range programs of research, development and production in military aviation. If carried forward without costly interruptions, these programs can provide the strongest modern Air Power, in the least possible time, and at the lowest possible cost to taxpayers.

CONTINUING RESEARCH is basic for air leadership. While time-consuming, it is here vital increases in airplane performance are sought and explored. Just as research led to supersonic fighters, it is boosting the abilities of transports and helicopters. For instance, the advantages of a light turbine engine are being tested in this new Army Sikorsky H-39, above, which now holds official helicopter records for speed, 156 mph, and altitude, 24,500 feet.

CONTINUING DEVELOPMENT of an aircraft or an engine type helps keep it up-to-date in performance and efficiency. Sikorsky engineers, for example, have so perfected the S-55 helicopter's blade-like whirling wings that they now have a life-expectancy of 1800 hours, despite the grueling loads and forces they must withstand. By constant development work such as this the nation is given better and better aircraft, engines and equipment.



CONTINUING PRODUCTION of the most modern aircraft and aerial weapons, which are far more potent than World War II's best, is rebuilding Air Power from 1947's weak level to a position of major strength, as this graph shows. Estimated future production, if uninterrupted and backed by adequate long-range research and development work, can provide up-to-date air strength over the years to come at minimum cost to taxpayers.

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PRATT & WHITNEY AIRCRAFT *turbojet and piston engines,*
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SIKORSKY AIRCRAFT *helicopters*
for our armed forces and the finest airlines in the world.

YOUNG MEN—New generations of aircraft like these helicopters provide a variety of opportunities in America's uniformed services. Ask recruiting officers about a technical career in the Air Force, Navy, Army, Marines or Coast Guard.

ENGINEERS: *We need experienced engineers in many categories. If you are not engaged in national defense work, write to our Personnel Dept., stating complete qualifications.*

Before Yalta:

U.S. WAS WARNED OF SOVIET DOUBLE CROSS

In the days before Yalta—

U. S. officials in Russia saw the "cold war" coming.

Roosevelt, about to meet Stalin, was urged to be tougher with Moscow.

U. S. was advised not to pay a high price to get Russia into the Japanese war; was tipped off to expect Soviet tricks once the United Nations took shape; was cautioned that Russia's diplomats would say one thing but do another when treaty time arrived.

Here, from the texts of the Yalta papers, is the story of danger signs that went unheeded at the Big Three conference.

The top Americans in Moscow, it is now revealed, warned Washington of a Russian double cross even before the end of World War II.

Documents brought to light among the Yalta papers show that the actions and attitude of Soviet leaders were causing suspicion and concern among Allied leaders at a time when the wartime alliance seemed strongest. In this period:

- The No. 1 U. S. soldier in Soviet Russia said he was becoming "nauseated" by "Russian food, vodka and protestations of friendship." He said the U. S. was getting the short end of the bargain in Moscow and that "we must be tougher."
- The No. 1 U. S. diplomat in Moscow warned the U. S. President that words like "friendly" and "independent were interpreted by the Soviets quite differently than by the U. S. He urged "a firm stand" toward Russia.
- The Foreign Secretary of Great Britain warned the U. S. Secretary of State against paying a high price for Soviet Russia's entry into the Pacific war.

All through the Yalta record there is evidence that the Soviet leaders, while protesting friendship, were actually beginning to wage "cold war."

Here, drawn from the Yalta papers, you get the words of advice, warning and concern from the men who, in this period, knew the most about the Soviet Government's behavior behind the scenes in World War II.

A soldier's warning. A month before the Japanese attack on Pearl Harbor, President Roosevelt pledged a billion

JUNE, 1944: AT A U. S. SHUTTLE-BOMBING BASE IN RUSSIA

At left, Maj. Gen. John R. Deane, chief of the U. S. military mission to the Soviet Union, makes a speech to a group of Russians. Ambassador Averell Harriman is beside General Deane

dollars' worth of Lend-Lease aid to Soviet Russia. To police the delivery of this aid, an American mission was sent to Moscow. Chief of that mission from 1943 to the war's end was Maj. Gen. John R. Deane, a Californian. He handled much of the Lend-Lease to Russia. There was a total of more than 11 billion dollars' worth before it ended.

This, in full text, is what General Deane had to say to his boss in the United States, Gen. George C. Marshall, in a letter that reached President Roosevelt on Jan. 3, 1945, nearly a month later, but still a month before the Yalta Conference:

"THE COMMANDING GENERAL, UNITED STATES MILITARY MISSION IN THE SOVIET UNION (DEANE) TO THE CHIEF OF STAFF, UNITED STATES ARMY (MARSHALL).

"SECRET
"MOSCOW, 2 DECEMBER 1944

"DEAR GENERAL MARSHALL:

"Now that I have been in Russia for some time and am qualified as an 'expert' I think it might be of some interest to you to have my general reactions. They may be of value to you since I have served under you long enough to enable you to evaluate them. A report is always more useful if one knows the reporter.

"Everyone will agree on the importance of collaboration with Russia—now and in the future. It won't be worth a hoot, however, unless it is based on mutual respect and made to work both ways.

"I have sat at innumerable Russian banquets and become gradually nauseated by Russian food, vodka and protestations of friendship. Each person high in public life proposes a toast a little sweeter than the preceding one on Soviet-British-American friendship.

"It is amazing how these toasts go down past the tongues in the cheeks. After the banquets we send the Soviets another thousand airplanes, and they approve a visa that has been hanging fire for months. We then scratch our heads to see what other gifts we can send, and they scratch theirs to see what else they can ask for.

"This picture may be overdrawn, but not much. When the Red Army was back on its heels, it was right for us to give them all possible assistance with no questions asked. It was right to bolster their morale in every way we could.

"However, they are no longer back on their heels; and, if there is one thing they have plenty of, it's self-confidence. The situation has changed, but our policy has not. We still meet their requests to the limit of our ability, and they meet ours to the minimum that will keep us sweet.

"The truth is that they want to have as little to do with foreigners, Americans included, as possible. We never make a request or proposal to the Soviets that is not viewed with suspicion. They simply cannot understand giving without taking, and as a result even our giving is viewed with suspicion. Gratitude cannot be banked in the Soviet Union."

MacArthur's Views: "Never Solicited"

General of the Army Douglas MacArthur, on March 23, 1955, issued a statement following assertions in the U. S. Senate that he had supported the Yalta decision to bring Russia into the closing phases of the war against Japan. In his statement he said, in part:

"Neither directly nor indirectly did I have the slightest connection with the Yalta Conference. My views on the advisability of Soviet Russia entering the war at that late date were never solicited . . . .

"The imminent collapse of Japan was clearly apparent several months before Yalta when we seized the Philippines . . . .

* * *

"Had my views been requested with reference to Yalta I would most emphatically have recommended against bringing the Soviet into the Pacific war at that late date. To have made vital concessions for such a purpose would have seemed to me fantastic."

—United Press

JUNE, 1943: U. S. TRUCKS, LOADED WITH SUPPLIES FOR RUSSIA, ROLLED THROUGH IRAN
General Deane: "They simply cannot understand giving without taking, and as a result even our giving is viewed with suspicion. Gratitude cannot be banked in the Soviet Union."

[continued]

WARNINGS BEFORE YALTA

out taking, and as a result even our giving is viewed with suspicion.

"Gratitude cannot be banked in the Soviet Union. Each transaction is complete in itself without regard to past favors. The party of the second part is either a shrewd trader to be admired or a sucker to be despised.

"We have obtained some concessions after exerting all the pressure we could assemble. These included the FRANTIC bases ["Frantic" was the code name of the shuttle-bombing operation between England and Russia], improved communications, exchange of weather [information], trucks to China, exchange of enemy intelligence, some promises regarding the Far East, and some other inconsequential ones.

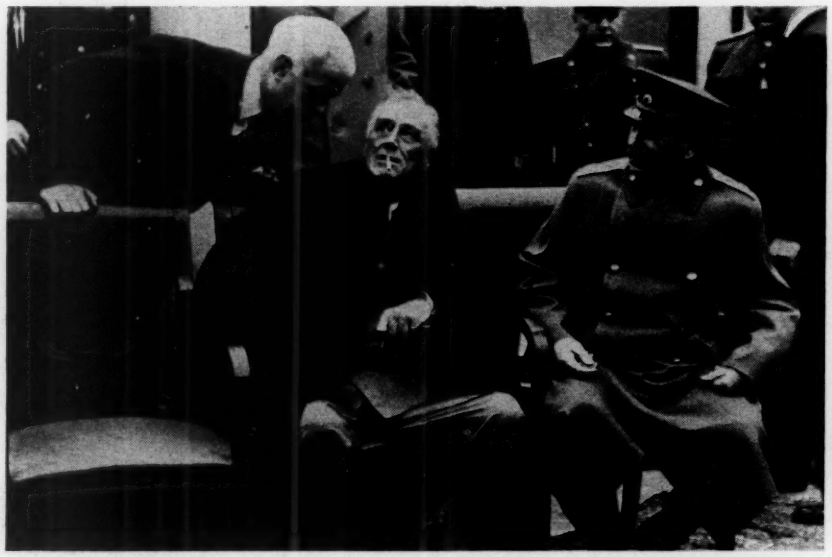
"The cost to the Soviet Union for any of these projects has been nil compared to the cost of our efforts on their behalf. Some will say that the Red Army has won the war for us. I can swallow all of this but the last two words.

"In our dealings with the Soviet authorities, the U. S. Military Mission has made every approach that has been made. Our files are bulging with letters to the Soviets and devoid of letters from them.

"This situation may be reversed in Washington, but I doubt it. In short, we are in the position of being at the same time the givers and the supplicants. This is neither dignified nor healthy for U. S. prestige.

AT MALTA: ANTHONY EDEN AND AVERELL HARRIMAN
Each of them warned about Russia

"The picture is not all bad. The individual Russian is a likeable person. Their racial characteristics are similar to ours. Individually, I think they would be friendly if they dared to be—however, I have yet to see the inside of a Russian home. Officials dare not become too friendly with us, and others are persecuted for this offense.



AT YALTA: SECRETARY STETTINIUS, PRESIDENT ROOSEVELT AND PREMIER STALIN
Beforehand, the U. S. President had been briefed on Soviet ways

"The Soviets have done an amazing job for their own people—both in the war and in the pre-war period. One cannot help admire their war effort and the spirit with which it has been accomplished. We have few conflicting interests, and there is little reason why we should not be friendly now and in the foreseeable future.

"In closing, I believe we should revise our present attitude along the following lines:

"**(1)** Continue to assist the Soviet Union, provided they request such assistance, and we are satisfied that it contributes to winning the war.

"**(2)** Insist that they justify their needs for assistance in all cases where the need is not apparent to us. If they fail to do so, we should, in such cases, refuse assistance.

"**(3)** In all cases where our assistance does not contribute to the winning of the war, we should insist on a *quid pro quo*.

"**(4)** We should present proposals for collaboration that would be mutually beneficial, and then leave the next move to them.

"**(5)** When our proposals for collaboration are unanswered after a reasonable time, we should act as we think best and inform them of our action.

"**(6)** We should stop pushing ourselves on them and make the Soviet authorities come to us. We should be friendly and co-operative when they do so.

"I think there is something here worth

fighting for, and it is simply a question of the tactics to be employed. If the procedure I suggest above were to be followed, there would be a period in which our interests would suffer. However, I feel certain that we must be tougher if we are to gain their respect and be able to work with them in the future.

"SINCERELY YOURS,
DEANE"

The Deane letter went to President Roosevelt, forwarded by Secretary of War Henry L. Stimson. Secretary Stimson noted that the U. S. Ambassador to Moscow, W. Averell Harriman, had approved the Deane letter.

A diplomat's warning. Speaking for himself, Ambassador Harriman cabled the Secretary of State, then Edward R. Stettinius, Jr., explaining why, in his opinion, the Soviet leaders were insisting on their right to have a veto on all matters in the United Nations, then just a plan. His cable, dated Dec. 28, 1944, was received the next day.

Mr. Harriman wrote that the Russian leaders "are still suspicious of the underlying attitude of most of the nations toward them." They lacked confidence, he said, that members of the United Nations would be impartial in handling disputes involving Russia. He continued:

"The Soviets have definite objectives in their future foreign policy, all of which we do not as yet fully understand.

"For example, while they have recognized the right of the states bordering the Soviet Union to have their independence, they insist upon 'friendly' governments.

"From Soviet actions so far, the terms 'friendly' and 'independent' appear to mean something quite different from our interpretation.

"It is interesting to note that in Iran they appear to justify their recent actions by explaining that they know better what the Iranian people want than the Iranian Government, which does not represent the majority of Iranian opinion.

"Any political figure, in Iran and elsewhere, who disagrees with Soviet policies is conveniently branded as a 'Fascist.' The same sort of thing can be said about the Polish situation."

Speaking of the United Nations, Mr. Harriman prophesied from Moscow:

"I fear that we are faced with a very fundamental question of what the effect on the international security organization will be with most of the nations looking to it to develop mediatory or judicial procedures in the advancement of international relations, whereas the Soviet Union appears to view it from a much narrower perspective."

(Continued on page 42)

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[continued]

WARNINGS BEFORE YALTA

The only possibility of getting the Soviets to change their position, said the U. S. Ambassador, would be for the U. S. and Britain "to take a firm and definite stand." He concluded:

"It would seem that we should face realistically the far-reaching implications of the Soviet position and adjust our policies accordingly."

A British view. With such advice from the top U. S. observers, military and diplomatic, in Moscow, the U. S. delegation on its way to Yalta to meet the Russians got more such advice in Malta. This came from Britain's Foreign Secretary, Anthony Eden, and in a curious way.

President Roosevelt and the Americans met with Prime Minister Winston Churchill and the British at Malta in a series of conferences given the code name "Cricket." At one of these conferences, Secretary of State Stettinius met with Mr. Eden. The Americans with Mr. Stettinius included the assistant to the Secretary, Charles E. Bohlen, now Ambassador to Russia, and Alger Hiss. The following exchange is taken from the "Agreed Minutes," marked "Top Secret" as published in the Yalta papers:

"Mr. Stettinius said that the President had in mind the question of Russian interests in a warm water port. He inquired whether the British had any indication as to what the Russians wanted.

"Mr. Eden said that the Russians certainly wished to revise the Montreux Convention . . . [This was the 1936 treaty under which Turkey was made the "guardian" of the Straits between the Black Sea and the Mediterranean. This treaty banned the passage of warships through the Straits in time of war save under certain conditions and permitted the Turks to fortify the Straits, thus, as the Soviet leaders claimed, "locking" Russia into the Black Sea.]

"We had no clear indication of what they had in mind [Mr. Eden said] but it might be that they would wish for a regime for the Straits similar to that of the Suez Canal which would enable their warships to pass from the Black Sea into the Mediterranean in time of war.

"Mr. Eden continued that the Russians would be wanting a good many things, that we had not very much to offer them, but that we required a great deal from them.

"He felt, therefore, that we ought to arrange to put together all the things we wanted against what we had to give. This would apply to the Far East also.

"In his view if the Russians decided to enter the war against Japan they would take the decision because they considered it in their interests that the Japanese war should not be successfully finished by the U. S. and Great Britain alone.

"There was therefore [Mr. Eden continued] no need for us to offer a high price for their participation, and if we were prepared to agree to their territorial demands in the Far East we should see to it that we obtained a good return in respect of the points on which we required concessions from them."

Lessons of experience. Russia's wartime allies soon found that Soviet leaders viewed bargaining as a form of cold war. Soviet diplomats resorted to all sorts of tricks to get Allied consent, if not Allied approval, for what they wanted.

Ambassador Harriman reported such a case in October, 1944. He was present as an observer when Churchill and Stalin met in Moscow to talk about Poland. Foreign Minister Vyacheslav M. Molotov, in that meeting, said President Roosevelt had already agreed to Soviet proposals for Poland's boundaries at the Teheran Conference in December, 1943.

"Molotov did not refer to me for confirmation," said Harriman, "and I decided it would only make matters worse if I, being present as an observer, had attempted to correct his statement." Mr. Harriman later dined with Mr. Churchill, who "recalls as clearly as I do" that Mr. Roosevelt had not agreed.

On this occasion, as on others, U. S. and British officials found that the Russians often "misunderstood" to their advantage. Again and again, at Yalta, Soviet diplomats sought to trap Allied leaders with such cold-war maneuvers.

Major factors on the Soviet side of the bargaining table were the final Soviet winter offensive which had then taken Russian troops to within 40 miles of Berlin, plus the U. S. desire to get the Soviet Union into the war against Japan in the Pacific. Mr. Roosevelt and Mr. Churchill both wanted the Soviet leaders to continue "killing Germans." Mr. Roosevelt, according to the published documents on Yalta, had a request from the U. S. Joint Chiefs of Staff to get Soviet Russia into the Pacific war.

It is clear from the papers now made public, however, that the Americans who knew the Soviet leaders best were suspicious of their real intentions long before the Yalta Conference, long before the war's end.

Last-Minute Check List for Taxpayers

Here Are Savings You May Have Missed

New tax benefits, tossed in with the old, mean this: Almost every situation has a tax-saving angle buried somewhere.

With rates what they are, it's wise not to miss any bets.

This article gives some ways to cut your federal tax bill.

The time has come to fill out your federal income tax return. If you put it off, there will be too little time to ferret out opportunities for tax savings. Result: cash out of your pocket.

The fact is that not many taxpayers are aware of more than a few of their tax-saving possibilities. The check list on pages 44 and 45 will help you claim the savings Congress has reserved for you. If you have reasonable doubts about any points in the rules, you are expected to resolve them in your favor.

If you are an investor. New relief for stockholders means a grant of tax freedom for your first $50 of dividend income, plus an outright tax cut equal to 4 per cent of your remaining dividends where received after July 31.

If you and your wife both drew dividends, you each get to "exclude" dividends up to $50. If you own shares jointly—or live in a community-property State—you each own half the dividends.

Most of your investment expenses are deductible. Do you rent a safety-deposit box for your securities, or subscribe to one or more industry-analysis or investment-advice services? The cost is deductible. If you pay someone to manage your investments, that's a deductible expense.

Did you draw a substantial part of your income from investing and trading activities that you carried on at home? If so, deduct a part of your housing costs. Count a part of your fuel, light, water, repairs, rent or depreciation on your home. If your activities require clerical help, a telephone, stamps, the costs are all deductible.

If you sold shares that rose in value last year, you get a top tax rate of 25 per cent on your gains—provided you held the shares more than six months. If you took a net loss on your trading—except in the case of a personal item like a home—you can charge some of it off against ordinary income.

If you own your home. As a homeowner, or buyer, you are a special favorite of Congress. The drive to encourage home ownership through tax favors has gone so far that almost any homeowner can claim more itemized deductions than he can get from the "standard" allowance.

Let's say you have a $20,000 mortgage, at 5 per cent interest for 20 years. The first year's interest is only a few dollars less than the $1,000 permitted as the top deduction under the "standard" allowance. Add to that a few hundred dollars of State or local property taxes, and you're far ahead of the standard deduction already.

Even the headaches of home ownership often can be turned into tax savings. Drought that hit wide areas last summer killed trees and shrubs—and lawn grass—that homeowners prize highly. Hurricanes in the East, tornadoes in the Midwest, earthquakes in the West, floods here and there did hundreds of millions of dollars of damage to homes. Fire, hail, lightning added to the toll. All of it is deductible—to the extent it was not covered by insurance.

If you had casualty losses such as these, deduct the difference between the value of your property before and after the damage. In figuring this, the cost of repairs or replacements can be used as important guides.

Don't deduct damage done by insects, or your neighbor's children or pets. In the eyes of the law, insects, children and pets are natural hazards.

If you were ill. You may have been one of the thousands who actually made money by being sick last year.

First, your expenses are eased by bigger deductions. Until now, you could deduct only those medical expenses that were in excess of 5 per cent of your income. Now, you can deduct all in excess of 3 per cent of income. And the maximum allowances are doubled.

This means you can't afford to overlook any medical costs. Don't neglect the gas and oil that you used up in trips to the doctor, even for your children's tetanus shots.

If you had to travel to a distant part of the country, on doctor's orders, transportation is deductible, though meals and lodging on the trip are not.

And keep this in mind in regard to transportation that's really required for health purposes: If it's necessary that another person accompany the "patient" on the trip, whether downtown to the doctor or across the country, the transportation expenses of that other person also are deductible.

Remember, too, that you can add to your own medical expenses the medical outlays that you made for a dependent of yours, even if that dependent had income of $600 or more and, thus, cannot be taken as an exemption.

But note this new rule: Outlays on drugs and medicines are not classed as "medical expenses" except as they exceeded 1 per cent of your income.

If you missed work last year while you had a bout with the flu or a sprained ankle, your tax savings may be substantial. Sick-leave pay that you drew during illness or injury is tax-free, up to $100 a week. If you were laid up for four weeks after a workout in the garden, that's $400 of tax-free income.

There's this reservation, though: If your absence was due to illness—rather than injury—you don't get the grant of tax freedom during

—USN&WR Photo

TAXPAYER GETS ADVICE
This year, new angles to watch

THESE TAX TIPS CAN SAVE YOU MONEY

Your Exemptions

You may be able to claim additional $600 exemptions under new rules.

If you and a brother or sister share support of your father, it can mean an exemption.

If you have a child earning $600 or more, you still may get an exemption.

If you support someone in your home—related or not—you get an exemption.

Your Income

Veterans' benefits, Social Security pensions, many other payments are tax-exempt.

SICK-LEAVE PAY:

If you drew sick-leave pay in 1954, it can mean important tax-free income.

Workers in Government, as well as in industry, are eligible for this saving.

INTEREST:

If you're a widow drawing life insurance, you may have some tax-free interest.

DIVIDEND "EXCLUSION":

Don't overlook the new rule making part of your dividends tax-free.

Take two "exclusions"—or $100—if you and your wife both had enough dividends.

CAPITAL GAINS:

If you sold stocks at a profit, after holding 6 months, top rate is 25 per cent.

If you took a net loss on such sales, you get a deduction against ordinary income.

Your Deductions

You're more likely now to find that it pays to itemize deductions.

CONTRIBUTIONS:

If you donated goods—such as food, clothing—it's market value that counts.

Note: This applies to securities, too—and no tax on their rise in value.

If you had expense—such as gas, oil—for, say, a church, that's deductible.

the first week unless you spent at least a day in the hospital at some time in the illness.

If you're retired. If you reached 65 by some time in 1954, you joined a select group about which Congress has become particularly solicitous. Unless you have a substantial income, you'll find it difficult to pay any tax.

First, after 65, you get a double exemption—$1,200 instead of $600. And, within the limits set by law, you can deduct all the medical expenses incurred by you or your wife, if either was 65.

In addition, you get a flat tax cut on your "retirement income." In general, you can claim a "credit" equal to 20 per cent of your first $1,200 of dividends, rental income, annuities, interest and company pensions. That's a cut of as much as $240 or, if you and your wife both qualify, as much as $480.

To qualify, you must have had at least $600 of earned income—from work—in each of 10 past years. The 10 years need not be consecutive.

If your wife wants to qualify, she must have had past earnings, too—an easy matter for taxpayers who live in community-property States. And she must have had "retirement income."

Here's a tip for couples: If you and your wife own stocks or other investments jointly, or live in a community-property State, half of your investment income belongs to your wife.

And for widows, this note: If your husband, while he lived, had enough earnings to pass the $600-a-year test, then you qualify now.

If you are retired before 65 on a public-employe pension, other than military, you also get this tax cut. But you get it only on your pension.

In addition to all this, there's a new rule for figuring the tax-free part of your annuity income. Some annuitants will find their tax increased, rather than reduced. And all will find the new rule complicated. A copy of the official actuarial tables will help.

If you are a widow. As a widow, or widower, you are specially favored by tax writers in Congress.

If you still keep a home for your youngsters, you get head-of-household status, and, thus, partial benefits of income splitting.

If your husband, or wife, died after 1951, you get the full benefits of income splitting on 1954 income, provided you have at least one dependent child at home or in school. Widows and widowers get this break in the year their mates died, and for the next two years.

If you're a widow or widower who must pay for the care of a child while you earn a living, you can deduct up to $600 for such expenses. It makes no difference who gets the money for the child care, as long as the person hired is not a dependent of yours—it could be a nursery school. If you have a governess who "lives in," her room and board count.

You need to watch the tricky rules on this one. If, for example, your maid kept both the house and your children clean, count only the part of her wages paid for care of the children.

Incidentally, married couples get this same tax relief, but only if their combined earnings are low.

Widows—but not widowers—get another benefit. If you're drawing the proceeds of your husband's life insurance, spreading payments out over the years, part of each payment is interest. It's

INTEREST COSTS:

You can deduct just about every kind of interest expense.

Mortgage interest is the big one—but don't overlook short-term loans, etc.

If you made installment purchases, the carrying charges are deductible now.

TAXES:

Remember this: Most State, local taxes—but no federal taxes—are deductible.

Don't neglect State and local income and sales taxes, or special excises.

MEDICAL AND DENTAL:

Don't overlook outlays on eyeglasses, hearing aids, false teeth, etc.

Premiums on health insurance, often overlooked, are worth listing.

CHILD CARE:

Care of a child—also of a disabled person—may be a deductible cost.

CASUALTY LOSSES, THEFTS:

Don't forget the theft of your camera last year—the loss is deductible.

Casualty losses from fire, rain, lightning, drought also may be deducted.

MISCELLANEOUS:

Your professional-society dues mean a deduction—so do technical journals.

Did you hire an expert to fill out your return in 1954? That's deductible.

Costs of soil and water conservation on your farm are deductible.

If you entertained business contacts, the expense may be deductible.

Computing Your Tax

If your wife, or husband, died after 1951, you still may be able to split income.

If you kept a separate home for a parent, you may get head-of-household status.

Figuring Your Tax Credits

If you are retired, or a stockholder, you get an outright tax reduction.

Take a tax credit equal to 4 per cent of dividends received after July.

If you and your wife both have retirement income, you may save up to $480.

Ignore incorrect instructions on line 2, Schedule K—enter $1,200 in all cases.

tax-free, up to $1,000 a year. The "principal" of the proceeds also is tax-free.

If you own a car. As a car owner, you'll find a long list of deductions.

Personal-property taxes and interest on your auto loan are deductible. But note that if your auto loan ran during more than one year, you must spread the interest cost over the life of the loan. That's true of all "discount" loans.

Don't overlook the cost of your license tags, title-registration fee, driver's license and your State and local gas taxes. And almost every kind of damage to your car is deductible—from fire, storm, theft and the like. If you drove your car into a lamp post, or another car, damages not paid for by insurance are deductible—unless you were "willfully negligent," as in drunken driving.

Check this possibility, too: For any time you used your car in your work, subtract the cost from your income before listing that income on page 1 of the form. This means you can take the auto-expense deduction—gas, oil, repairs, depreciation—and still claim the "standard" deduction. This applies also to bus, cab and streetcar fare paid out as part of your job. Be sure to list any reimbursement as income, though.

If you work for a living. Odds are that you have some deductions connected with your work.

As a self-employed businessman or professional person, you may have had to entertain customers or other contacts. If it was an ordinary and necessary part of your business, the cost is deductible. Perhaps you attended a convention in 1954, in Miami, Paris or Hawaii. If the trip was necessary for business, the cost is deductible.

Your professional-society dues and subscriptions to technical publications are deductible. For a few, country-club membership is an appropriate business expense.

As an employe, you may deduct your union dues. Your outlays on uniforms, including cleaning and repairs, are deductible if you must be uniformed.

If you got meals and lodging on your employer's premises, for his convenience, they're tax-free.

Did you or your wife make money by working at home last year? If so, you may be able to write off some of the costs of operating your home. Perhaps you wrote stories or articles for sale. Maybe your wife had youngsters in for lessons in music, art, dancing or sewing. Don't neglect to charge off some of the costs of running your home if you used it to earn money. But don't forget to report the income so earned.

If you gave to charity. If you're a typical taxpayer, you're reasonably sure to remember cash you put in the church collection plate and your donation to the church building fund. But you're just as likely to forget small contributions you made to the polio fund, other health campaigns and miscellaneous charities.

Unless you're a rare taxpayer, you'll be unaware that noncash donations—such as clothing for the foreign-aid drive—are deductible in the amount of their market value. And the fact you used your car in the service of charitable groups probably will not occur to you as a deduction possibility.

All these examples and rules are barely more than enough to indicate the possibilities open to you. If you check closely enough, you probably can turn up some situation you encountered last year.

Superimposed over this man's head is the matrix (or heart) of RCA Electronic "Memory." See description below.

New RCA Magnetic "Memory" recalls thousands of facts in a fraction of a second

Each dot you see in the squares above is actually a magnetic "doughnut" so tiny that it barely slides over a needle point. Despite its size, however, each "doughnut" stores away one bit of information for future reference. And 10,000 of them fit on a framework smaller than the size of this page!

Here are the cells of the RCA magnetic "memory" that is the key element in virtually all high-speed electronic computers now being produced or in development. Perhaps the greatest significance of this "memory" is its ability to deliver, in a few millionths of a second, any information it stores away.

Almost instantly, an insurance company can process a claim. Just as fast, a manufacturer with inventories spread around the country can determine what products are making money—and *where*.

With the help of such magnetic "memories," electronic computers will be able to make accurate predictions of the next day's weather for the nation, using data on atmospheric pressure, temperature, and wind velocity from every part of the United States and from overseas as well.

The leadership in electronics that created this man-made RCA "memory" is responsible for one achievement after another in television, radio, radar—as well as any other RCA product or service you may name. And continually, RCA scientists at the David Sarnoff Research Center, Princeton, N. J., are thinking, planning, pioneering even greater triumphs in "Electronics for Living"—electronics that make life easier, safer, happier.

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FROM THE CAPITALS OF THE WORLD

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>> While the diplomats have their minds on Europe--on rearming Germany, on new talks with Soviet Russia--the West is taking another beating in Asia.

Communists are violating truce terms in North Vietnam, as in North Korea.

Anti-Communists are fighting among themselves in South Vietnam, upsetting U.S. efforts to convert the local Government into a going concern.

U.S. chances of saving Vietnam--North or South--are dwindling fast.

>> From Saigon comes this report of the way the truce is working out:

In the South, anti-Communists are living up to truce terms, permitting no military build-up, co-operating with the international truce commission.

In the North, Communists are successfully obstructing truce teams, building up armed forces, restraining millions of Vietnamese from moving south.

In addition: Communist guerrillas are being left in South Vietnam. They're farmers by day, guerrillas by night. Arms dumps for guerrilla use are scattered through the country, ready for the day when top Communists say the word.

>> Here's a case history of Communist obstruction in North Vietnam:

A complaint was recently filed with the truce commission that 10,000 Vietnamese in one area wanted to go south, but the Communists wouldn't let them.

Three days of debate were necessary before the truce commission--made up of anti-Communist Canadians, Communist Poles, neutral Indians--agreed to look into the complaint. Four more days went by before local Communists agreed to let truce teams into the area. Another four-day delay followed when Communists held truce teams 30 miles from their destination--to "protect" them from disorders.

Twelve days from time complaint was received, investigators finally got to talk with complainants. Meanwhile, Communists had rushed troops into the area and put leading anti-Communists under arrest. Truce teams were powerless to do anything about it, beyond filing a complaint of their own.

>> To show how Communists sneak arms and trained men into North Vietnam.....

Main roads, under observation by truce teams, aren't used. Jungle trails, though, permit a steady stream of weapons and men to come down from China. But, when truce teams ask permission to make spot checks on these trails, Communists refuse.....So North Vietnam's military power keeps on growing at a time when South Vietnam, despite U.S. aid, faces something close to chaos.

>> Europe is discounting Soviet countermoves to the rearming of West Germany. Moscow's talk of a unified command for East Europe is taken very calmly.

Soviet officers, for one thing, already hold key posts in satellite armies.

(over)

German rearmament is seized on by Moscow as an excuse for getting an even tighter grip on satellites. Unified command may make it possible to intermingle Soviet troops with satellite forces, which aren't really trusted by Moscow.

>> An epidemic of satellite troubles is giving Moscow more to worry about.

Not enough to eat is the complaint in one satellite after another.

East Germans can't get flour, sugar, fats or meat in many state stores.

Hungarians, sick of potato bread, are told that wheat output from Hungary's fertile land has declined alarmingly under Communist management.

Bulgaria has dug into food reserves, now offers prizes for big crop yields.

Rumania, No. 1 corn producer in Europe, finds its corn acreage and yields in sharp decline. Livestock total is down. Meat is short--and will continue so.

Russia's farm crisis has spread throughout the whole Soviet empire.

>> Communists in charge of East Germany have done their best to hide facts of food shortage. But this much is now known in Berlin:

Confiscation of food supplies is taking place both on farms and in cities. Shortages were first officially denied, then blamed on hoarding, then on spies and "Western agents." Stores unable to get supplies are being closed down as "inefficient." Unrest is inspiring drastic measures.

A farm-labor draft is under way. It will take 50,000 industrial workers out of the cities and put them on East German farms during next few weeks.

Not even these strong-arm measures will improve East German diets this spring. What the measures do indicate is a panicky state of mind among the top Communist officials. They can't seem to solve farm and food problems.

East German revolt, as in '53, isn't in sight, but must be in Moscow's mind.

With this sort of trouble acute both in East Europe and in Russia itself, the Kremlin is not in too good a bargaining position for Big Four talks.

>> Prime Minister Nehru of India is uneasy about Communist China's intentions in Southeast Asia. Nehru has little hope that Vietnam can be saved, but he sees a chance to save the rest of Indo-China. Right now, he's watching Cambodia.

The Nehru technique, in a situation like this, is to advertise friendship between India and Cambodia and tell the world how important it is to maintain Cambodia's independence. Peiping, it's hoped, will listen and keep hands off.

Nehru's idea is that "peaceful coexistence" with Communist China can be made to work, but it's necessary to remind Peiping of it from time to time.

>> In Canberra, Australia, where Prime Minister Menzies also has Southeast Asia on his mind, you get a very different recipe for stopping Communist China.

Australia prefers U.S. ideas about Communist neighbors, thinks an armed force may be necessary, and is getting set to send help to Southeast Asia.

Australian troops will probably be assigned to Malaya later this year, to join British and Malayan forces in the jungle warfare now going on.

Australian planes will be based in the area, as part of an Allied team.

Australia, in other words, expects to join U.S. and Britain in putting teeth into Manila Pact for defense of Southeast Asia. This will involve buying jet fighters and bombers from U.S., and maybe a deal in which U.S. agrees to swap equipment for right to use Australian airfields and naval bases.

Asia is replacing Europe as the top defense priority for Australians.

Pattern for modern heating in durable pipes of steel

Floors, walls and ceilings now *heat themselves*—and the rooms they surround. Even airport runways, sidewalks and driveways have built-in heating systems to melt snow and ice.

The most popular method of radiant heating is the circulation of warm water through pipe coils embedded in concrete or plaster. Steel pipe is the most widely used material in the fabrication of these coils.

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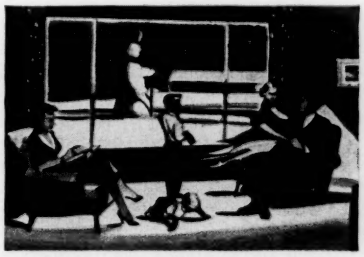

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MR. BARUCH TELLS WHAT MAKES STOCK MARKET RISE

A man who has been investing successfully for more than half a century gives Congress his views on the stock market.

Bernard M. Baruch asserts the market only mirrors general trends in the economy.

Stock prices have gone up, Mr. Baruch says, for two principal reasons.

First, because businesses have expanded, improved, increased in value.

Second, because inflationary policies have dominated the economy for 15 years.

Mr. Baruch's advice: For a healthy market, keep the economy healthy. Avoid tax cuts. Reduce public debt. End inflation.

Following is full text of a statement by Bernard M. Baruch to the Senate Banking and Currency Committee on March 23, 1955:

MR. CHAIRMAN AND GENTLEMEN OF THE COMMITTEE:

It is an honor to be asked to testify before you.

Of all the committees of Congress, yours, I believe, is the one before which I have appeared most often. In almost every instance it has been to discuss the control of inflation and its aftermaths. If this has been the central economic problem of our lifetime, it is mainly because during the whole of the last 40 years this country has been either going into a war or coming out of one.

Your telegram of invitation states that you would appreciate having my views upon "whether present levels of stock prices and recent acceleration of stock-market prices constituted a potential danger to the economy."

At the outset, let me emphasize that no one knows whether stocks are too high today.

No one, not even the most experienced trader, economist or businessman can predict with certainty the course of the stock market. Whether stocks rise or fall is determined by innumerable forces and elements, by economic conditions, the actions of governments, the state of international affairs, the emotions of people—even the vagaries of the weather.

Scientific and technological developments opening whole new vistas of enterprise and investment could prove that large sections of the market are underpriced and other sections overpriced. An unfavorable turn in the foreign situation could send securities tumbling. The assurance of real peace could bring unlimited demand throughout the world.

Largely because of the crash of 1929, the impression has built up that the stock market is the cause of booms and busts. Actually, it is the thermometer—not the fever. The stock market registers the judgments of multitudes of buyers and sellers about the many factors which affect business—what business is like today, what it will be like in the future.

This distinction between the thermometer and the fever is a crucial one. We face one kind of problem if the thermometer is not working properly. But outward symptoms should not be mistaken for fundamental causes. The thermometer should not be blamed for reflecting all the uncertainties of a world which is neither at war nor at peace, or of the effects of the actions taken by different business managements or of the inflationary policies which have been pursued for so long.

Your inquiry, in other words, must deal with two questions —how well is the stock market functioning as an index, and, more important, what is the actual state of our economy?

Most of the discussion before your Committee has concentrated upon the stock market itself. There has been much talk of "overspeculation." Since the total volume of money and credit flowing through the economy has been expanding, larger sums are available for investment. But the supply of stocks to meet this demand has not increased proportionately.

Contributing to this condition are a number of structural changes in the stock market which have developed in recent years. To list a few:

- The expansion of many industries has been financed through their own earnings and tax write-offs rather than through capital from outside.
- There has been a remarkable growth of investment trusts and mutual funds.
- Some institutions, like life insurance companies and savings banks, have entered the market as a result of the changed laws on their holdings.
- A further stimulus to the demand for stocks has come from the growth of tax-free pension funds and tax-exempt foundations of various kinds.
- The capital-gains tax makes many investors reluctant to part with their holdings, although, let me add, I do not favor any reduction in that tax at this time.

No one has yet made a thorough study of how the stock market has been altered by these and other changes. Such a study might well be one of the most constructive results of this Committee's work. Thus far, the net effect of these structural changes appears to have been to drive the market upwards. But one must ask whether these same factors could not serve to aggravate any serious downward trend, if such a trend were to develop?

The full implications of every form of tax exemption should also be re-examined. With tax rates as steep as they are, business decisions are being determined more and more by the tax position of a company or individual. This makes tax exemption ever more far-ranging in its economic impact.

However, after these and other changes are surveyed, we still find that the most important single factor determining the behavior of the stock market remains the condition of

the economy, which, in turn, is dominated by the continuing "cold war."

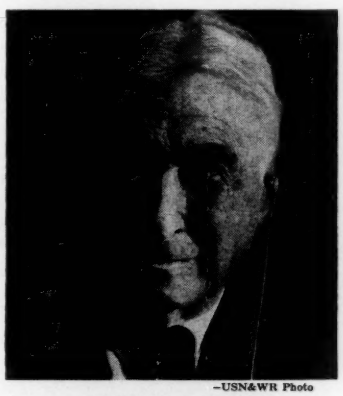
Two main factors in the economy have caused the general rise in the price level of stocks—the dramatic expansion and improvement of so many industries, and the cumulative effects of the inflationary policies which have been followed over the last decade and a half. If any economic danger threatens today, it will be found not in the stock market itself but in the effects of this inflationary heritage.

People invest in stocks for two opposite reasons—in hope and confidence in the future of an enterprise, or in fear that the value of their capital will be lost through inflation.

The basic reason why stock fluctuations today are so puzzling is because *both* these motivations are so active in our economy.

Many businesses have increased enormously in value during recent years. This is evidence of a sound economy. At the same time, however, we have not yet ended the rise in the national debt even while taxes have been reduced.

The small saver finds it difficult to protect himself from inflation by going into the stock market. He has neither the time nor means to study individual companies to be able to distinguish between good and bad management. And yet he must worry constantly what the savings he sets aside today will be worth 10 or 15 years from now. Will they put his son or daughter through college? Will they provide a real nest egg against old age or sickness?



—USN&WR Photo

BERNARD BARUCH

You can eliminate abuses of the stock market through regulations. Indeed, that has largely been done by the SEC [Securities and Exchange Commission] and the stock exchanges. But the only real protection the small saver—or any group—can have is through the preservation of the credit and security of this country.

No form of regulation that may be proposed can take the place of sound government policy covering all the interrelated problems of economics, finance and national defense.

This Committee is aware of the proposals which have been offered during the last two decades to halt or reduce needless inflation. The burden of our national debt would be hardly one half of what it is now if effective measures to prevent inflation had been taken at the outset of both World War II and the Korean war. Our whole economy would be in a healthier state if taxes had not been reduced so hastily after each of these two wars.

I opposed the tax reduction that was voted last year. That remains my position today. Both parties should pledge themselves to oppose tax reductions as long as the budget is unbalanced and our national security is in jeopardy.

That is also why I am against any reduction of the capital-gains tax at this time. A revision of this tax would improve the functioning of the stock market. But as long as the budget is unbalanced, to reduce anyone's taxes is to shift the burden of the cold war from one group and to impose a heavier burden upon other segments of the economy.

This is not the time for anyone to ask for more at the expense of others. Perhaps it is only natural for people to think that what is good for them is good for the country. We should get away from that and realize that what is good for the country is good for all of us.

We dare not forget that we are threatened by perhaps the most relentless enemy ever recorded, an enemy which talks peace while waging ceaseless war. It may be a cold war that we face today but it is still a total war—psychological, economic, political, military and moral—all in one.

Our first consideration must be a defense adequate enough to deter aggression, or, if that fails, to win any war thrust upon us. Much of our weakness in foreign policy has come about because some people believed that the economy could not stand what is necessary for defense.

With this view I am in total disagreement. Our economy can stand anything necessary for its defense, provided we are willing to discipline ourselves. We may not be able to have all the things we would like to have now and still be able to prevent war. But we can put first things first and keep them there as long as may be needed.

To sum up, a number of suggestions have been made before your Committee as to what should be done about the stock market. Some of those suggestions have value, although I would caution against attempting to legislate against human folly, or against the adventurous spirit which helped make America great. You should also weigh most carefully whether what has been happening in the stock market is not in larger part a response to the effects of inflation which has been taking place through the entire economy.

Hardly a month passes without some report that a city has increased its fares, that colleges have raised their tuition rates; of the understandable clamorings of policemen, firemen, teachers or other civil servants for pay increases to offset the reduction in their purchasing power. Every unit of government—city, State and federal—is struggling to adjust these demands.

What kind of dollars is one to use to measure the price of stocks?

If inflation is to persist many stocks may be underpriced today.

In any case, your study of the mechanics of the stock market should not lead anyone to forget that in the main it is a mirror of the economy. If our general economic and security policies are sound, the stock market will adjust to them and we will not need to worry about a possible collapse of the market. If we do not preserve our national security and our national credit, then nothing can have lasting value.

Therefore we should:

1 Determine just what our national security requires, both what we must do and what our allies must do—and then do it.

2 Forgo all tax reductions until our defenses are made secure and the budget is balanced. Nothing could inspire more confidence in the soundness of our economy than some reduction in the national debt.

3 Discipline ourselves to whatever is required to win the cold war and a real peace.

Today in this country we have something that is priceless—a stable government and a belief in that government by its people. It has been my experience that the American public will stand by their government and do what is required if they are told what needs to be done and why.

Given an effective shield of defense, we can build an economy which can continue to support the freedoms we cherish. By replacing the fear of inflation with the confidence of stability, we can stand guard as long as may be needed, even while preserving for our children and their children the opportunity to better themselves through their own strivings.

THE MAN . Harold E. Stassen **THE NEWS** .. "Secretary of Peace"

–USN&WR Photo

Mission From Ike— Halt the Arms Race

Mr. Stassen heads a project close to the President's heart—an effort to work out some formula for disarmament. Democrats as well as Republicans back him.

HAROLD E. STASSEN has a new assignment, a job unique in world history, one of tremendous importance and forbidding difficulty. Mr. Stassen, former Governor of Minnesota, a Republican presidential aspirant in 1948 and 1952, has been told to try to do something about world disarmament—before it is too late.

The assignment comes from President Eisenhower. The Chief Executive thinks some limitation of armaments is necessary to peace. He hopes the nuclear-arms race with Russia can be stopped or slowed before it leads to World War III. So he is turning the problem over to Mr. Stassen and, to emphasize its significance, the President is giving him equal rank with Cabinet officers.

In Washington, the over-all idea and the selection of Mr. Stassen for the post have been applauded by Democrats and Republicans alike. Most Western capitals have added their enthusiastic approval. They know Mr. Stassen well because for two years he has distributed United States economic aid abroad. But it is hardly on these friendly nations that the success of the Stassen operation depends.

Moscow obstacle. Disarmament, instead, depends on Russia. Mr. Stassen's problem, first of all, is to work out some formula that the Soviet Union would accept, a concededly difficult feat. But that, of itself, is not enough. Moscow would have to give dependable guarantees, after many broken promises, that this time it would go through with its end of the bargain.

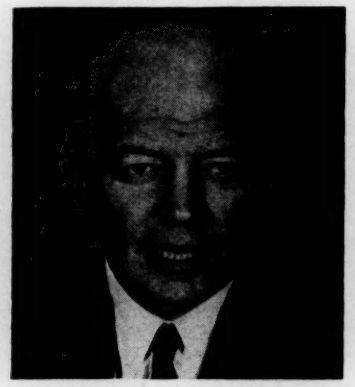
Since World War II, the disarmament question has been deadlocked by Russian intransigence. An American plan was developed for limiting construction of atomic bombs. But inspection by an international commission was considered necessary, and this Russia would not tolerate.

United Nations efforts have accomplished little or nothing. In 1952, with Russia voting against, the U. N. Assembly created a disarmament commission. A subcommittee of this commission, with Russia represented, met for months in London last year, but was unable to come to any agreement.

A second subcommittee, meeting at London, found itself at loggerheads, too, with the Soviet Union apparently more recalcitrant than ever. Unexpectedly, spectacularly, however, Russia last week came up with a disarmament plan that some thought was close to the Western formula for a gradual reduction of arms.

The Russian plan was received with much distrust and a strong suspicion that Moscow was trying to seize the initiative for propaganda purposes. Pessimism over the outlook was only moderately relieved. Obviously, negotiations still have a long way to go before any real disarmament can be achieved. But the development

FOR HAROLD STASSEN . . .



. . . A UNIQUE ASSIGNMENT . . .

–USN&WR Photos

. . . IN AN UNCHARTED FIELD

provided Mr. Stassen with a new approach to his problem.

Methods. Mr. Stassen has a realistic appreciation of the obstacles, but, a man of considerable buoyancy, he is not discouraged. He intends, first of all, to make "a more thorough study" of the subject than "has ever been made before." He has asked publicly for ideas and suggestions from whatever source.

Many disarmament studies have been made in the past, but usually by men familiar only with limited aspects of the problem. Yet disarmament is a complex subject. It involves military problems, scientific and industrial questions and is linked intimately with the whole field of foreign policy. For the first time, an official has been appointed to pull all the loose ends together, present them as an integrated whole.

In the past, the U. S. has drawn on State Department officials for representation at international conferences on disarmament. In the future, Mr. Stassen —with a rounded and specialized knowledge of the subject—is to be America's chief delegate. He also is expected to attend high-level meetings for the purpose of advising American representatives.

There is an expectation that Mr. Stassen will be of value in the propaganda field. Through his supervision of foreign economic aid, as head of the Foreign Operations Administration, he is familiar with specific situations everywhere. His activities could point up the U. S. search for peace, America's willingness to disarm and, similarly, illuminate Russian refusals.

For assistance, Mr. Stassen expects to lean heavily at first on experts of the Defense Department, the State Department and the Atomic Energy Commission. But, eventually, he will have his own staff. Conclusions and proposals are to go to the National Security Council and the President. Mr. Stassen will continue to sit as a member of NSC, as well as with the Cabinet.

Politics. Mr. Stassen, approaching 48, tall, blond, energetic and unfailingly pleasant, has traveled a long and often controversial road to reach this position. He was born and reared on a Minnesota farm, attended the State University and its law school, and almost immediately entered politics.

There were eight years as a county attorney, and then Mr. Stassen turned to bigger things. He was scarcely known, but ran for Governor anyway. He proved a vigorous and attractive campaigner. To the surprise of many, he won. That was in 1938, when he was 31 years of age. He got to be called "the boy wonder," was re-elected in 1940 and 1942.

In that New Deal period, Republican Governors were scarce. Mr. Stassen attracted the attention of the party, moreover, by the vigor with which he turned

(Continued on page 54)

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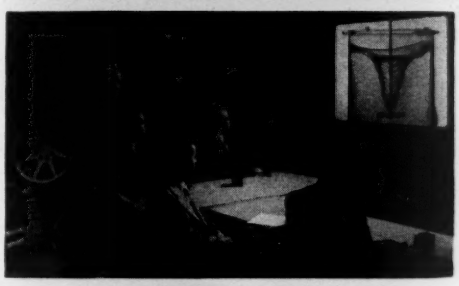

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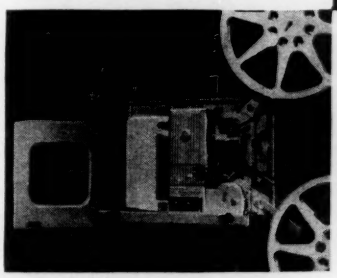

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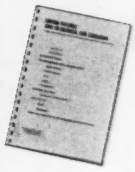

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Mr. Stassen helped write U.N. Charter...

the State to mid-road Republicanism after years of Farmer-Labor administration. And, although from a region frequently associated with isolationism, he became known as an internationalist.

In 1940, although Mr. Stassen was not old enough to run for the Presidency, he was keynote speaker at the Republican Convention and stayed to be floor manager of Wendell L. Willkie's successful drive for the nomination. The Governor resigned in 1943 to enter the Navy and, although he was away in the Pacific in 1944, he was Minnesota's favorite son for the presidential nomination.

A year later, President Franklin D. Roosevelt recognized the then Commander Stassen's international viewpoint by ordering him to San Francisco as a

...erryman in the Washington Evening Star

"UNUSUAL REQUEST"
. . . a "first" in American history

U. S. delegate to the conference that wrote the United Nations Charter. Later, out of uniform, the Minnesotan returned to the political wars.

Mr. Stassen sought the Republican presidential nomination in 1948, but did not come very close. For four years, he served as president of the University of Pennsylvania, a post that enabled him to travel widely and make numerous speeches. He was back seeking the Presidency again in 1952, but with a political realist's appreciation of General Eisenhower's strength.

So, when the first ballot at the Chicago Convention ended with the General just short of the nomination, Mr. Stassen's Minnesota delegation dramatically shifted its vote, before the totals could be announced. Mr. Eisenhower was in, and Mr. Stassen was marked for important work if the General should win the Presidency.

. . . Minnesotan was an Ike man in '52

President Eisenhower made Mr. Stassen director of the agency that distributes foreign aid, now known as the Foreign Operations Administration. But the President also found him useful in many other ways; Mr. Stassen was one of the few around him with broad experience in both Government administration and politics.

On the team. Soon, Mr. Stassen was attending meetings of both Cabinet and NSC, was called upon for advice on many subjects. He subdued his own political ambitions to work closely with the Eisenhower team. Within the White House it is said that, if Mr. Eisenhower should not run for re-election next year, Mr. Stassen is one of the few he would urge as his successor.

—Harris & Ewing

THE PRESIDENT & MR. STASSEN
. . . Russia remains the question mark

A few weeks ago, the President called Mr. Stassen in for a talk. FOA goes out of existence June 30. Mr. Eisenhower outlined the disarmament job he had in mind and asked Mr. Stassen to take it. To do so, Mr. Stassen becomes a special assistant to the President and takes a salary cut from $22,500 to $20,000.

Mr. Stassen already has gone to work on his new job and will liquidate FOA in his spare time. He has a long and arduous course ahead. His problem is, what can be done in the face of Russian intransigence and Russia's record of broken promises? It is a discouraging outlook, many believe—a disarmament project conceived after all other efforts have failed.

But, to Mr. Stassen, it is not a forlorn hope, and he may be expected to explore every possible avenue to disarmament in the months ahead.

Home of "nation's biggest business" *doubles power demand in a decade!*

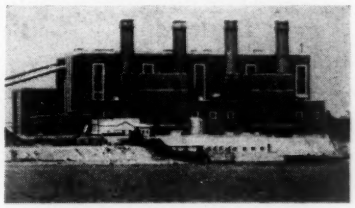
Power consumption is way up in Washington, D.C. Since 1944, it has jumped from 1.6 billion kilowatt-hours to nearly 3 billion—quite an increase for an area with practically no heavy industry!

Of course, Washington's biggest business—and one of the nation's biggest power users—is the Federal Government. It's vital to everybody that the Government gets a dependable power supply, and in the Washington area the dependable source of supply is the Potomac Electric Power Co.—PEPCo to Washingtonians.

PEPCo is still expanding vigorously to meet increased needs. In 1944, their electric plant investment was $106 million. Now it's up to $250 million, and PEPCo plans to invest *another* $75 million before 1957!

Being able to *deliver* the power is just as important as having facilities to generate it. That's where Rome Cable comes in. Rome wires and cables are giving dependable service all over the nation—delivering power to home and industry where it is used in thousands of ways, requiring an ever increasing variety of cable constructions.

To keep pace with all this growth, Rome Cable, also, has invested heavily in new plants and equipment. "The Story of Rome Cable" gives you an interesting picture of this progress. Send for it today.



This is the most recent of PEPCo's three power plants. A 100,000 kw unit was placed in operation in 1954, and another 100,000 kw unit will be completed in 1956.

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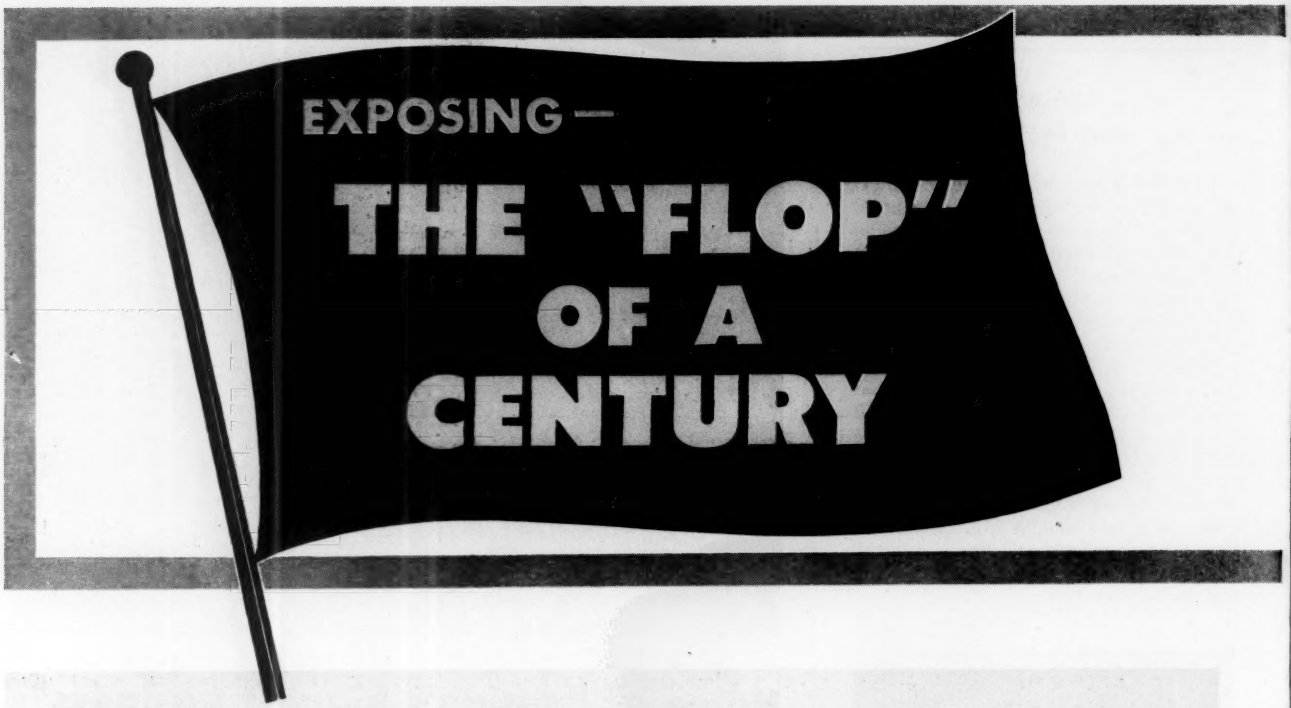

EDITOR'S NOTE: Socialism is 100 years old. For 40 of those years, Max Eastman has studied its literature and watched it in action.

Now Mr. Eastman, who says he was once "about the only 'red' still out of jail" in the U. S., publishes his conclusions.

Here is what he finds:

- **Socialism has been a swindle in every nation and in every form in which it has been tried.**
- **In Russia: slavery, torture, star-chamber proceedings, corruption, tyranny.**
- **In England: a socialist-imposed roadblock to economic recovery.**
- **In France and Italy: weak governments, political chaos, caused by socialist refusal to collaborate with "capitalist" parties.**
- **In Norway: "the closest imitation of an authoritarian state to be found this side of the Iron Curtain."**
- **In the U. S.: an infiltration of "bureaucratic socializers," who constitute "a real and subtle threat to America's democracy."**

Karl Marx and Nikolai Lenin are put under the microscope in a searching analysis by Mr. Eastman. Once "enraptured" by English translations of Lenin's works, the author found access to the orginal Russian texts a disillusioning experience.

Karl Marx, Mr. Eastman discovered, was "devious, disloyal, snobbish, anti-democratic, anti-Semitic, anti-Negro."

Max Eastman raised the money to send John Reed to Russia in 1917, and published the articles that earned Mr. Reed a mausoleum near Lenin's in Moscow.

In the early 1920s, Mr. Eastman spent a year and nine months in Russia.

Mr. Eastman was born in Canandaigua, N. Y. Both of his parents were Congregational ministers. A graduate of Williams College, he taught logic and philosophy at Columbia University.

Over the years, Mr. Eastman has published six books about the Soviet Union, and translated Russian works into English. He was for five years editor of *The Masses* and later founded *The Liberator*.

Mr. Eastman is well known as an orator as well as an author.

On the pages that follow are extracts from Mr. Eastman's book, "Reflections on the Failure of Socialism."

Story of the FALLACIES and FAILURES of 100 years of socialism—from Marx to the "Social Democrats" in Europe and the "Left Liberals" in U.S. today

By MAX EASTMAN

World-Famous Ex-Socialist

(The complete book, "Reflections on the Failure of Socialism," is being published by the Devin-Adair Company, New York. *U. S. News & World Report* has obtained world-wide first serial rights to print extracts from the book.

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Extracts from the book follow:

CHAPTER I — Socialist Efforts to Block Free World

ALMOST everyone who cares earnestly about freedom is aroused against the Communists. But it is not only the Communists, it is in a more subtle way the Socialists who are blocking the efforts of the free world to recover its poise and its once-firm resistance to tyranny.

In Italy, by voting with the Communists, they ousted De Gasperi's strong and wise government, and they are keeping his successors weak through the menace of similar action.

In France, by refusing hearty collaboration with "capitalist" parties, they have made it impossible to form any stable government at all, producing just that chaos which the Communists desire.

In Germany, after doing their best to oust Adenauer and his brilliant Minister of Economics, Ludwig Erhard, who accomplished almost single-handed "the miracle of German recovery," they are as this is written opposing his plan of rearmament, which offers the sole hope of effective West European resistance to an invading Communist army.

In England they made a recovery like that of Germany impossible; their government recognized Communist China; and they are pushing to confirm for all time the Communists' hold on the impregnable land mass, or planetary fortress, of Eurasia.

In Norway they have produced the closest imitation of an authoritarian state to be found this side of the iron curtain.

In America we seem remote from all this, but it is only because the Socialists in large numbers have abandoned the party label, adopting the Fabian policy of infiltration in other groups. Norman Thomas has withdrawn from the party executive and no longer functions as a political leader. Maynard Krueger, once candidate for Vice President on the Socialist ticket, resigned from the party, explaining that he did so not because his beliefs had changed, but because he thought devout American Socialists should associate themselves with the "liberal-labor coalition inside and just outside the Democratic party."

This liberal-labor coalition has already transformed the Democratic party from an organ of Jeffersonian resistance to

. . . "It is not the copper-riveted old-time believers in Marxian theory that we in America have to fear . . . . It is the bureaucratic socializers . . . who constitute a real and subtle threat to America's democracy"

centralized power into the recognized advocate of increasing state control. It played a major part in the follies of Yalta, Teheran, Potsdam, and the China Story, which gave away well-nigh half the world to the Communists.

Thus in America as elsewhere it is the socialist ideal, as surely as the communist implementation of it, that is working against freedom. To thoughtful Americans Lenin's notion that a tiny group of detached zealots calling themselves the vanguard of the working class, after seizing the power and "smashing the bourgeois state," could establish a dictatorship of the proletariat—or any dictatorship but their own—has grown to seem preposterous. And the belief that such a dictatorship, having taken charge of the economy of a country, could lead the way to a classless society in which all men would be free and equal, is getting difficult even to remember. When remembered it is seen to be what it is—a dangerous fairy tale.

Reformers' "Fairy Tale"

But we are still beguiled by this other fairy tale: that a large group of liberal-minded reformers, not pretending to be a class, not seizing the power but creeping into it, not smashing the state but bending it to their will, can take charge of the economy and approximate a free and equal society. This second notion is really more utopian than the first. The bolshevik scheme at least designated a social force which was to carry the process through. It looked scientific to say that the working class, once the existing order was smashed, would conduct the economy without paying tribute to capital, and a classless society would thus result from the natural instincts of men.

The belief that such a millennium could be brought into being by "some combination of lawyers, business and labor managers, politicians and intellectuals," is hard to take seriously. And yet as Lenin's pseudo-scientific dream-hope evaporates, this more pure and perfect fantasy tends to take its place.

The phrase I quoted is from an essay contributed by Arthur M. Schlesinger, Jr., to a symposium on "The Future of Socialism," in the *Partisan Review* for May-June 1947. In that essay Mr. Schlesinger defined socialism in orthodox terms as "ownership by the state of all significant means of production," and declared it "quite practicable . . . as a long term proposition." He has said contrary things both before and since, and it appears that these words did not express a clear or firmly held opinion.

The whole passage about how this "long term proposition" might be achieved reads as follows:

"Its gradual advance might well preserve order and law, keep enough internal checks and discontinuities to guarantee a measure of freedom, and evolve new and real forms for the expression of democracy. The active agents in effecting the transition will probably be, not the working class, but some combination of lawyers, business and labor managers, politicians and intellectuals, in the manner of the first New Deal, or of the labor government in Britain."

Mr. Schlesinger was quite savagely angry at me for quoting this passage correctly in the *New Leader* (June 1952). He thought I should have known that he did not mean what he said. "In order to chime with the purposes of the symposium," he explained, "I chose to write as if 'democratic socialism' and 'mixed economy' were the same. I made a mistake in so doing, as Mr. Eastman's confusion suggests. . . . I am tired of Max Eastman and his present conviction that liberty resides in the immunity of private business from government control. I wish he would grow up . . ."

My "confusion" consisted in not having read Mr. Schlesinger's book, *The Age of Jackson* (1945), in which he "explicitly rejected the theory of socialism," nor yet *The Vital Center* (1949), in which he "explained his rejection of socialism at length."

I was indeed guilty of this confusion, but I have it now clear in my head that it was only during an interlude in 1947—a strange interlude, I must say—that Mr. Schlesinger came out explicitly for "ownership by the state of all significant means of production," meaning thereby a "mixed economy."

But that makes them [his words] all the better illustrate the danger I am speaking of. For it is not the copper-riveted old-time believers in Marxian theory that we in America have to fear. Those old-timers, although calling themselves democratic, still give lip-service to the Marxian doctrine of progress through increasing class division. They do not seem to me really to believe in it any longer; in the present state of class relations in this country such a belief would require feats of mental gymnastics for which even Marx did not prepare them. But their formal adherence to this and the rest of the Marxian mystique isolates them in America.

The "Bureaucratic Socializers"

Their fairy tale is not plausible enough to be dangerous. It is the bureaucratic socializers—if I may devise that label for the champions of a lawyer-manager-politician-intellectual revolution—who constitute a real and subtle threat to America's democracy. It is their dream that is moving into focus as that of Lenin grows dim.

The assumption common to these two dreams is that society can be made more free and equal, and incidentally more orderly and prosperous, by a state apparatus which takes charge of the economy, and runs it according to a plan. And this assumption, though alluringly plausible, does not happen to be true. A state apparatus which plans and runs the business of a country must have the authority of a business executive. And that is the authority to tell all those active in the business where to go and what to do, and if they are insubordinate put them out. It must be an authoritarian state apparatus. It may not want to be, but the economy will go haywire if it is not.

That much was foreseen by many cool-headed wise men during the hundred-odd years since the idea of a "socialized" economy was broached. But the world was young, and the young can not be told—they have to learn by experience. (I was among the least willing to be told.) However, the actual experience of state-run economies, popping up one after another in the last thirty-five years, should be enough, it seems to me, to bring home this simple fact to the most exuberant. It is a fact which you can hardly fail to realize if you watch the operation of any big factory, or bank, or department store, or any place of business where a large number of people are at work. There has to be a boss, and his authority within the business has to be recognized, and when not recognized, enforced.

Moreover, if the business is vast and complex, his authority has to be continuous. You cannot lift him out of his chair every little while, tear up his plans, and stick in somebody else with a different idea of what should be done or how it should

. . . "Either phony elections or no elections at all—that is what thoroughgoing socialism will mean"

be done. The very concept of a plan implies continuity of control. Thus the idea that a periodic election of the boss and managing personnel is consistent with a planned national economy is lacking both in logic and imagination—you need only define the word "plan," or present a plan to your mind's eye. The thing is conceivable perhaps in a small enterprise, but where would you be if the nation's entire wealth production and distribution were a single business? Even supposing elections could be genuine when those in office controlled all the jobs in the country. Suppose they were genuine—you might as well explode a bomb under the economy as hold an election.

The phony elections in totalitarian countries, the ballots with only one party and one list of candidates, are not the mere tricks of a cynical dictator—they are intrinsic to a state-planned economy. Either phony elections or no elections at all—that is what thoroughgoing socialism will mean, no matter who brings it in—hard-headed Bolsheviks, soft-headed Social Democrats, or genteel liberals.

Even now, with government handling only a third of our national income, it took the most popular candidate since George Washington to defeat the party in power. Even he could not carry in a Congress heartily in opposition. How could you unseat an administration with every enterprise and every wage and salary in the country in its direct control? Not only private self-interest would prevent it, and that would be a force like gravitation, but public prudence also—patriotism! "Don't change horses in midstream," we say. But we'd be in midstream all the time with the entire livelihood of the nation dependent upon an unfulfilled plan in the hands of those in office. "Don't rock the boat" would be the eternal slogan, the gist of political morals. That these morals would have to be enforced by the criminal law is as certain as that mankind is man.

CHAPTER II

The "Flop" of a Century

PEOPLE who read these reflections may wonder how I arrived at the understanding that socialism has failed. A brief glance at the intellectual road I traveled may be helpful. It has not been so winding a road as some may think.

I stated the aim of my political activities in two articles in the *Masses* in 1916: not to reform men, or even primarily reform the world, but to "make all men as free to live and realize the world as it is possible for them to be." In this the years have brought no change.

In those same articles I dismissed Marx's philosophic system, his idea that socialism is historically necessary, as "a rationalization of his wish," and declared: "We must alter and remodel what he wrote, and make of it and of what else our recent science offers, a doctrine that shall clearly have the nature of hypothesis."

The hypothesis, as I conceived it, was that by intensifying the working class struggle, and pursuing it to victory either at the polls or in a revolution, we could "socialize the means of production," and thus extend democracy from politics into economics. That, I thought, would give every man a chance to build a life in his own chosen way. It would "liberate the proletariat and therewith all society," to use a Marxian formula that I liked to quote.

To me, in short, socialism was not a philosophy of history, or of life—much less a religion—but a large-scale social-scientific experiment. I came to it by a process of thought rather than feeling. I had no personal envies or resentments; I was happily circumstanced and wisely brought up; I thought of myself as free. I wanted to extend that freedom to all men; I wanted to see a society without distinctions of caste, class, race, money-power—without exploitation, without the "wage system." I knew this could not be brought about by preaching; I had observed the effects of preaching. I was captivated by the idea that it might be brought about by self-interested struggle on the part of those most deprived under the present system. Thus *the class struggle as a method* was the very center of my socialist belief. The articles quoted above were entitled "Towards Liberty, The Method of Progress," and they were meant to be the first chapters of a book.

It was juvenile of me to imagine that humanity as a whole, especially by splitting itself into two halves, could turn a whole period of history into a scientific experiment. Science requires a scientist, or at least an engineer, and the engineer in this case would have to have dictatorial power. But that thought, if it entered my mind, I managed to elude. I worked out a socialism of my own which enabled me to take an independent position on many concrete questions: feminism, population-control, peace and war. Both the doctrine of class morals and the propaganda of class hate I rejected. I could think freely on such questions because my socialism was not a mystical cure-all, but merely a plan which I considered practical for solving the one specific problem of making freedom more general and democracy more democratic.

Although I was a member of the Socialist Party, the magazines I edited from 1912 to 1922, the *Masses* and the *Liberator*, were arrantly independent, and I was pretty regularly flayed alive by the party officials for some heresy or other. It was usually a revolutionary heresy. I was decidedly at the red end of the party spectrum. Still it wasn't always the reformists as against the revolutionists that I attacked. As often it was the dogmatism of both. Naturally in my attempt to make Marxism over into an experimental science, I waged a continual war on the bigotry, the cant, the know-it-allism, of the party priesthood. This I think distinguished the policy of the old *Masses* and the *Liberator* as much as their militant insistence on the class struggle.

I use the word "old" to distinguish the *Masses* from the *New Masses*, a magazine founded years later by a totally different group of people, and which, under the control of the Communist party, developed a policy contrary in almost every detail to what the *Masses* and the *Liberator* stood for.

I was always close friends with the I.W.W., and on good

. . . "No one in the Western world has any idea of the degree to which Soviet minds are closed and sealed"

terms even with the anarchists, although I lectured them on their childish innocence of the concept of method. I was not afraid, either, of the word liberal with a small *l*, although I had my own definition of it. "A liberal mind," I wrote in the *Masses* for September 1917, "is a mind that is able to imagine itself believing anything. It is the only mind that is capable of judging beliefs, or that can hold strongly without bigotry to a belief of its own."

When the Bolsheviks seized power in Russia in October 1917, shocking the whole world of progressive and even moderate socialist opinion, I backed them to the limit in the *Liberator*. I raised the money to send John Reed to Russia, and published his articles that grew into the famous book, *Ten Days That Shook the World*. I was about the only "red" still out of jail in those violent days, and my magazine was for a time the sole source of unbewildered information about what was happening in Russia. Its circulation reached a peak of sixty thousand.

When Lenin's pamphlet called in English "The Soviets at Work" was published—the same that won Whittaker Chambers to communism—I was enraptured. The monumental practicality, the resolute factualness, of Lenin's mind, combined as almost never before with a glowing regard for poor and oppressed people, anxiety over their freedom, devotion to the idea of their entrance into power, swept me off my feet. I still think it one of the noblest—and now saddest—of political documents. It convinced me that Lenin's mind was experimental. In every line he seemed to realize my ideal of a scientific revolutionist. I greeted him in two articles in the *Liberator* as "a Statesman of a New Order," and dedicated myself with no doctrinal reservations to the defense of his principles of action and his Soviet regime.

Attacking those who accused him of dogmatism, I exclaimed: "I have never seen a sign in any speech or writing of Lenin that he regarded the Marxian theory as anything more than a scientific hypothesis in process of verification."

There were few translations from Russian in those days. I had to go to Russia and learn the language before I found out that Lenin was a true believer in the Marxian mystique. He was, to be sure, more high-handed with its postulates than any other believer—much more so than Trotsky. He had the trick, as Karl Radek once remarked to me, of "deciding a question on the basis of the facts and then fixing it up with the theory afterward." He also had Hegel's notion of "dialectic logic" to help him with this trick. I did not know enough then to distinguish between the limited freedom dispensed to the faithful by this ingenious notion, and the complete freedom of a mind dealing only with facts, purposes, and plans of action.

"I Gave My Heart to Lenin"

I gave my heart to Lenin more completely than I have to any other leader, and fought for the Bolsheviks on the battlefield of American opinion with all the influence my voice and magazine possessed. From the October revolution until Baron Wrangel was swept out of the Crimea, I was engaged in a civil war, and my socialist convictions grew hard and firm. It took a long time after that, a steady and merciless bombardment of hostile and unanswerable facts, to unsettle them.

Still I was far enough from fanatical when I sailed for Russia in 1922 to remark to my friends that I was "going over to find out whether what I have been saying is true." I arrived in September, in time to learn a little Russian before I attended the fourth congress of the Third International. I was not a delegate and had no official status, but the *Liberator* was well enough known so that I was hospitably received as a guest.

Later on, Trotsky, who consented to cooperate with me on a biographical portrait, gave me a portentous document bearing his signature and the seal of the Red Army, asking everybody in Russia to receive me cordially and attend to my needs. I traveled wherever I wanted to with that document, and saw whatever I asked to see.

"Soviet Life at Its Best"

I traveled at the height of the swift recovery that followed the adoption of the New Economic Policy, and I experienced Soviet life at its best. Although surprised and shocked by some features of the experiment, I found ground for great hope also. Only one thing seemed to me calamitously bad. That was the bigotry and Byzantine scholasticism which had grown up around the sacred scriptures of Marxism. Hegel, Marx, Engels, Plekhanov, Lenin—these men's books contained for the Bolsheviks the last word of human knowledge. They were not science, they were revelation. Nothing remained for living thinkers to do but apply them, gloss them, dispute about them, expatiate on them, find in them the germs of every new thought or thing that came into the world. Instead of liberating the mind of man, the Bolshevik Revolution locked it into a state's prison tighter than ever before. No flight of thought was conceivable, no poetic promenade even, no sneak through the doors or peep out of a window in this pre-Darwinian dungeon called Dialectic Materialism.

No one in the western world has any idea of the degree to which Soviet minds are closed and sealed tight against any idea but the premises and conclusions of this antique system of wishful thinking. So far as concerns the advance of human understanding, the Soviet Union is a gigantic roadblock, armed, fortified, and defended by indoctrinated automatons made out of flesh, blood, and brains in the robot-factories they call schools.

I felt this barbarous thing more keenly than any other disappointment in the land of my dreams. I was sure it contained the seeds of priest rule and police rule. Any state religion, as all the great liberals have pointed out, is death to human freedom. The separation of church and state is one of the main measures of protection against tyranny. But the Marxian religion makes this separation impossible, for its *creed* is politics; its church *is* the state. There is no hope within its dogmas of any evolution toward the free society it promises.

For these reasons, instead of writing the travel stories expected of me about "life under the Soviets," I went into the reading room of the Marx-Engels Institute in Moscow and got down to work on my old unfinished partial torso of a book, "Towards Liberty, the Method of Progress." Although not deceived that anybody would pay prompt attention to me, I thought it my duty to the revolution to attack this roadblock, this prodigy of obtuseness parading as ultimate wisdom, in the only way it could be attacked, by an unanswerable demonstration of the conflict between Marxism and scientific method.

I stayed a year and nine months in Russia, and put in a major part of my time learning Russian and reading, mostly in that language, the essential literature on which the actions of the Bolsheviks were based. Leaving Russia in June 1924, I spent the next three years in western Europe, where I finished a book on the subject and named it *Marx and Lenin, the Science of Revolution*. It was published in London in 1926. The Anglo-Saxon world had so little interest then in Marxian theory

. . . "Trotsky told me in whispers the drift of . . . 'Lenin's Testament' "

that I had to advance the money for its publication. But Albert and Charles Boni bought sheets and published it a year later in New York. *La Nouvelle Revue Française* published a French translation the following year.

My money investment was well repaid. But my success in undermining the roadblock in Russia was not conspicuous. The copy I sent to the Marx-Engels Institute was returned by the Post Office marked: "Denied admission by the Department of Publications." The only murmur to come out of Russia was from the great scientist, Ivan Pavlov, who surprised me with a letter in his own hand sent fearlessly through the mail: "I endorse completely your criticism of the philosophical foundation of Marxism." And he added this contribution to my painfully slow recovery from socialism:

"There isn't any science of revolution, and there won't be for a long time. There is only a groping of the life force, partly guided empirically, of those who have a much-embracing and strong common sense. Our Bolshevik Revolution, with its details so disastrous to our intellectual and moral development, I consider an anachronism which (of this I am convinced) will repeat itself in this form never and nowhere in the civilized world. Such is my deepest understanding of these matters."

"I Wrote as a Believer"

In that book I wrote as a believer in the Soviet system, and I still imputed to Lenin a stride forward, however unconscious, toward the attitude of experimental science, calling him by contrast with his more orthodox opponents an "engineer of revolution." There was a great deal of truth in this, but I still managed to elude its implications. I thought it was a wonderful and hopeful thing that Lenin had succeeded, by basing himself on the Marxian analysis of class forces, in throwing a net over the whole of Russian society, and gathering the power into his hands and that of a party dedicated to building socialism.

This theoretic conception stood firm in my mind, even though I had seen before leaving Russia what I now believe to be its direct and normal consequence: the usurpation of power by a tyrant having no honest instinct for the liberties of men. I had not only seen, but very carefully studied the plot by which Stalin made himself master after Lenin's death. Besides studying his maneuvers, I attended the party congress of May 1924, at which his open attack was launched and Trotsky's prestige in the party destroyed.

Behind the scenes at that congress Trotsky told me in whispers the drift and essential details of the suppressed document called "Lenin's Testament." I was leaving Russia in a few days, and I spent those days gathering, with his encouragement, what further documents I needed to expose the plot and explain it. To do this I laid aside my work on Marxism, and wrote the little book called *Since Lenin Died*, which remains, I think, an authentic source for the history of the conflict about leadership which followed Lenin's death.

In the evolution of my socialist opinions that book marked a rather modest step. My conclusion was only a caution to revolutionists in other countries against accepting in the name of Leninism "the international authority of a group against whom Lenin's dying words were a warning, and who have preserved that authority by suppressing the essential texts of Lenin." Fourteen years would pass before I was able to see in that group, not only an *enemy* of Lenin's plans, but a *result* of the revolution as conceived and engineered by him.

I had said enough in my two books, however, to ostracize me completely from the official communist movement. When I came home from Europe in 1927 most of my old political friends refused to speak to me on the street. I was a traitor, a renegade, a pariah, a veritable untouchable, so far as the communists were concerned. And as the bitterness mounted, this mood spread to the radical, and even in some degree to the liberal, intelligentsia as a whole. To get rid of my facts, I was of course promptly and indelibly labeled "Trotskyist," although I neither agreed with Trotsky's Marxism, nor ever shared the delusion that he might become the successful leader of a party. That the policies of Lenin and the original aims of the Bolsheviks were *defended* by Trotsky was made unmistakably clear in my little book, and will be unmistakably clear in history, I believe, if honest history survives.

But my loyalty was not to any leader or group. My loyalty was still to the working class, to the idea of progress through class struggle. In principle I was merely supplying the international working class and its leaders with information essential to the intelligent conduct of the struggle.

With the same purpose I translated and published in 1928 the suppressed program and documents of the exiled Left Opposition of the Russian Communist party, calling the book *The Real Situation in Russia*. As the text was theirs rather than mine, I gave the royalties to a small branch of the Trotskyist Opposition which had by that time been formed in America. This added to a growing impression that I was a personal follower of Trotsky, although my private thoughts about his failure to outmaneuver Stalin were anything but those of a follower. It was always Lenin's policies, and the truth about what was happening in Russia, that I was defending. My translation of Trotsky's *History of the Russian Revolution* was made with admiration but not endorsement. To me that book is the supreme and most compelling application of the Marxian metaphysics to history, far outdoing the similar efforts of Marx himself. But I think it will be the last. No giant will ever again drive facts into those forms at such an expense of intellectual power.

Dictatorship in Literature

A book which marks a longer step in my own development, emotional if not intellectual, was my *Artists in Uniform*, written in 1932-33, and published in 1934. There I described the hideous dictatorship in literature and the fine arts set up under Stalin's knout, and the obsequious infantilism of Americans like Mike Gold, Joe Freeman, Bob Minor, Hugo Gellert, Maurice Becker, William Gropper, my ex-colleagues on the *Liberator*, who of their own free will kneeled down to it.

No one who had believed in the socialist revolution as a liberation of spirit, as we all in those days so loudly did, could with intellectual honor pretend that this was it or any step in the direction of it. I did not pull any punches in that book, but I still spoke as a revolutionary socialist, a non-party old Bolshevik. I said in my introduction:

"I am on the side of the Soviets and the proletarian class struggle. But I think that critical truth-speaking is an element of that struggle essential to its success . . . The efforts toward socialist construction in the Soviet Union must inevitably serve the world movement in some sense as a guide. These efforts should not be followed however, as a seamstress follows a pattern, but as a scientist repeats an experiment, progressively correcting the errors and perfecting the successful strokes."

(Continued on page 110)

Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

U.S. PLANTS GOING UP ALL OVER THE WORLD

Doing business abroad—that's a growing trend for U. S. firms.

Investments in Europe alone have doubled since 1946.

Branches of American firms are in every corner of the free world now, turning out everything from razors to automobiles.

American business and industry are operating around the globe on their biggest scale in history.

U. S. business investments abroad now total nearly 25 billion dollars—a record high that produced profits of 2.5 billion dollars last year alone. In almost every country this side of the Iron Curtain, private capital from America is developing resources, building new industries and providing people with jobs and consumer goods.

Americans are running automobile factories in Canada, a rubber plantation in Liberia, the oil fields of Saudi Arabia, a cigarette factory in Australia, a hotel in Madrid, a supermarket in Venezuela. These are just a few samples of activities financed by U. S. investors in countries throughout the free world.

Everywhere, demand grows for American technical know-how and consumer goods. That demand is changing the whole pattern of U. S. investments abroad.

The trend, these days, for American companies, is to set up their own operations abroad—rather than invest in foreign-owned enterprises, as so many of them did in the 1920s.

Oil investments, since World War II, have been heavy. U. S. manufacturers, too, are going overseas in large numbers to satisfy a growing market for all kinds of goods such as drugs, typewriters and farm machinery.

Investment expansion. U. S. venture capital is branching out from its traditional strongholds in Canada and Latin America.

Those areas still get the biggest share of American investments. But Americans are going into business, at a rising rate, in other parts of the world—in places where business competition is stiff, governments occasionally seem hostile to private enterprise and political conditions are insecure.

The value of American enterprises in Europe has doubled since shortly after the end of World War II, to a figure that now stands at more than 4 billion dollars. The same growth is taking place in Asia, Africa and Australia, where in-

PRIVATE U. S. INVESTMENTS ABROAD: ALMOST DOUBLED IN 9 YEARS
IN 1946
American private capital abroad came to
$13.5 billion
TODAY
Foreign investments by Americans total nearly
$25 billion

Basic Data: Commerce Department

vestments from this country now amount to almost 4 billion.

It is in Europe that U. S. private enterprise now is making its most surprising headway. There, as U. S. Government aid tapers off, the market is widening for American private capital.

Much of that capital is going into Britain. There, U.S. branches and subsidiaries are stirring up British production and markets to an extent not thought possible in that highly industrialized country.

American firms, for instance, have revolutionized the manufacture of typewriters and other office machinery there. Great Britain, once dependent on the U. S. for much of that equipment, now is the world's second-largest exporter of office machinery—much of it going to the United States.

U. S. methods as model. American companies also account for a third or more of Britain's output of refrigerators, electric shavers, farm implements, bottling machinery and excavating equipment. And British-owned companies are beginning to copy U. S. production methods.

It is the same story elsewhere in Europe. American firms such as International Harvester give France a thriving farm-implements industry. In Holland, 40 branches and subsidiaries of American companies have gone into business since the end of World War II.

Americans have a considerable interest in the production of oil in the Middle East and Indonesia, rubber in Indonesia and Liberia, copper in Northern Rhodesia, and gold and uranium in South Africa. American-operated oil refineries are to be found all around that part of the world.

U. S. factories are springing up in those areas, as the consumer market grows. In Australia, a rising flow of American manufacturing capital threatens Britain's traditional position as the top investor in that country. American business and factory investment in India has tripled since 1946, despite the drift toward socialism there.

Latin America vs. Canada. The same trend toward bigger manufacturing investments by American firms is to be found in Latin America, second only to Canada as an outlet for U. S. private capital.

Investments in Latin America stand at 7.5 billion dollars. Nearly 30 per cent of this amount is for the production of raw materials such as copper, petroleum and iron. But manufacturing, in recent years, has received more and more American capital—to the point where American-financed factories account for 15 per cent of the manufactured output there.

U. S. merchandising is growing in that region. Sears, Roebuck & Company has 26 stores in Latin America, selling goods that, for the most part, are produced locally, in whole, or in part—often by American-owned factories. A U. S.-financed supermarket in Venezuela has forced competing butchers to install refrigeration in their fly-infested stalls and to cut their prices by as much as 30 per cent.

The largest market for American private investors, over the years, continues to be Canada. In that country, Americans have 9 billion dollars privately invested in oil, mining and other industries.

The big development, in recent years, has been the flow of American capital into Canadian oil fields and mines. American companies are taking part in the production of aluminum in British Columbia, oil in Alberta and iron in the Eastern Provinces. And more capital is being contributed by Americans buying shares in Canadian-owned com-

(Continued on page 64)

Where American Money Is Invested

IN CANADA	$9.1 billion
IN LATIN AMERICA	$7.5 billion
IN EUROPE	$4.2 billion
IN ASIA, AFRICA AND AUSTRALIA	$4.0 billion

What American Money Is Invested In

MANUFACTURING	$5.4 billion
OIL	$5.1 billion
MINING	$2.0 billion
OTHER INDUSTRIES	$4.6 billion
FOREIGN SECURITIES AND SHORT-TERM CREDITS	$7.7 billion

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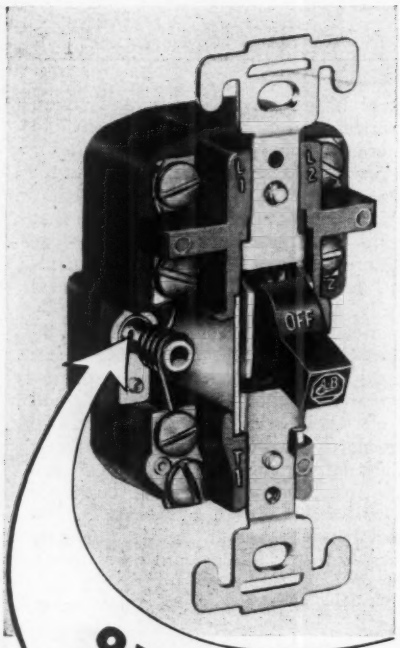


FOR

SMALL MOTORS

To prevent needless burnouts of motors of 1 hp or less, use Bulletin 600 starting switches. The built-in overload breaker automatically opens the switch in case of sustained overload on the motor.

Bulletin 600 switches are available in many forms with or without pilot lights. They are low cost insurance against motor burnouts. Send for a copy of Bulletin 600.

Enclosure with pilot light for wall or recess.

Allen-Bradley Co.
1348 S. Second St.
Milwaukee 4, Wis.

In Canada—Allen-Bradley Canada Limited, Galt, Ont.

A-B Quality

ALLEN-BRADLEY

QUALITY
MANUAL MOTOR CONTROLS

American funds abroad spur prosperity there, assure U. S. supply of many strategic materials . . .

panies. Several American-owned investment trusts now handle Canadian securities exclusively.

Profit figures. All around the world, American capital in foreign lands has almost doubled since 1946. New money going out from the U. S. since 1948 has averaged 900 million dollars a year. American companies plow back into their enterprises 600 million dollars annually from their foreign profits.

These investments are becoming more and more important to the over-all American economy.

The U. S., right now, gets about one quarter of its imports from American-financed companies abroad. Strategic materials are a key item. More than half of America's imports of iron, copper, aluminum, chromium and oil come from foreign branches and subsidiaries of American firms.

U. S. factories abroad also are putting goods into markets once closed to American products because of the dollar shortage. Englishmen, for instance, can buy American-patented electric razors and many other items made by British subsidiaries of U. S. companies. And those goods, made in places such as Britain, can go into other countries which have few dollars but plenty of other currency to pay for them.

There is no sign of an end to the search of American businessmen for new markets abroad.

In recent months, many new projects have been announced by American firms. For instance, a group of American mining companies has launched a 200-million-dollar project to mine copper in Peru. Americans are going into the building of gas-distribution lines in Canada. Europe and other parts of the world are to benefit from a 190-million-dollar expansion program announced recently by General Motors.

The "Yankee dollar." The continuing outflow of U. S. capital is forcing the Communists into a campaign—especially in Europe and Asia—against "dollar imperialism."

Not only Communists, but anticolonial countries make the charge in the United Nations that American businessmen seek excessive profits abroad at the expense of local people. It is pointed out that U. S. profits and dividends last year from investments abroad surpassed new investments in value.

Actually, it turns out that annual profits of U. S. firms from their foreign branches and subsidiaries come to little more than 15 per cent of the total investment made by them.

Economists find plenty of evidence that U. S. private capital, in many places, is helping produce prosperity.

One example is that of Kuwait, a tiny desert sheikdom in the Middle East. There, the Gulf Oil Corporation and its British partner pay taxes and royalties amounting to 95 per cent of Kuwait's state revenues. That money is giving Kuwait things it never had before—six new schools, a modern electricity network, a new harbor, an irrigation system, and natural-gas heating.

In many other countries, American private enterprise is establishing new industries, reducing unemployment and providing social services such as hospitals, schools and roads. Some countries find American-financed companies to be their major exporters of goods, thus giving them more foreign currencies to pay for imports.

—Aramco

AMERICAN ADVISES ARABIAN
. . . oil profits for both

Business obstacles. Yet American businessmen, in these places, often run into obstacles when they try to invest their money.

Often there is hostility to outsiders' private enterprise. In years past, American investors have found their properties nationalized. That happened to the oil industry in Mexico and to tin mines in Bolivia. In India, General Motors and Ford Motor Company last year had to close down their assembly plants when the Government announced that only complete automotive industries would be allowed in that country.

The dollar shortage is another handi-

...Some nations still block growth of U. S. firms

cap. In Brazil, for instance, U. S. companies have had to wait 18 months or longer for a chance to remit profits to home offices. Even Turkey, a country that hired U. S. experts to draft investment laws that would encourage American private capital, now does not have enough dollars to permit full repatriation of profits by U. S. firms.

Taxes are heavy in many places. Indonesia recently imposed a 66⅔ per cent tax on profits and other remittances sent out from that country. American copper producers in Chile have to pay taxes up to 75 per cent of their earnings—and, on top of that, must import dollars at a rate far more costly than the "free market" rate enjoyed by Chilean firms.

Local businessmen often throw their weight against American competition. Japan virtually bars U. S. industry in order to protect Japanese firms. In France, local trade associations have a voice in the Government's handling of an application by an American firm to do business there.

American investors say that some of their problems begin right here at home.

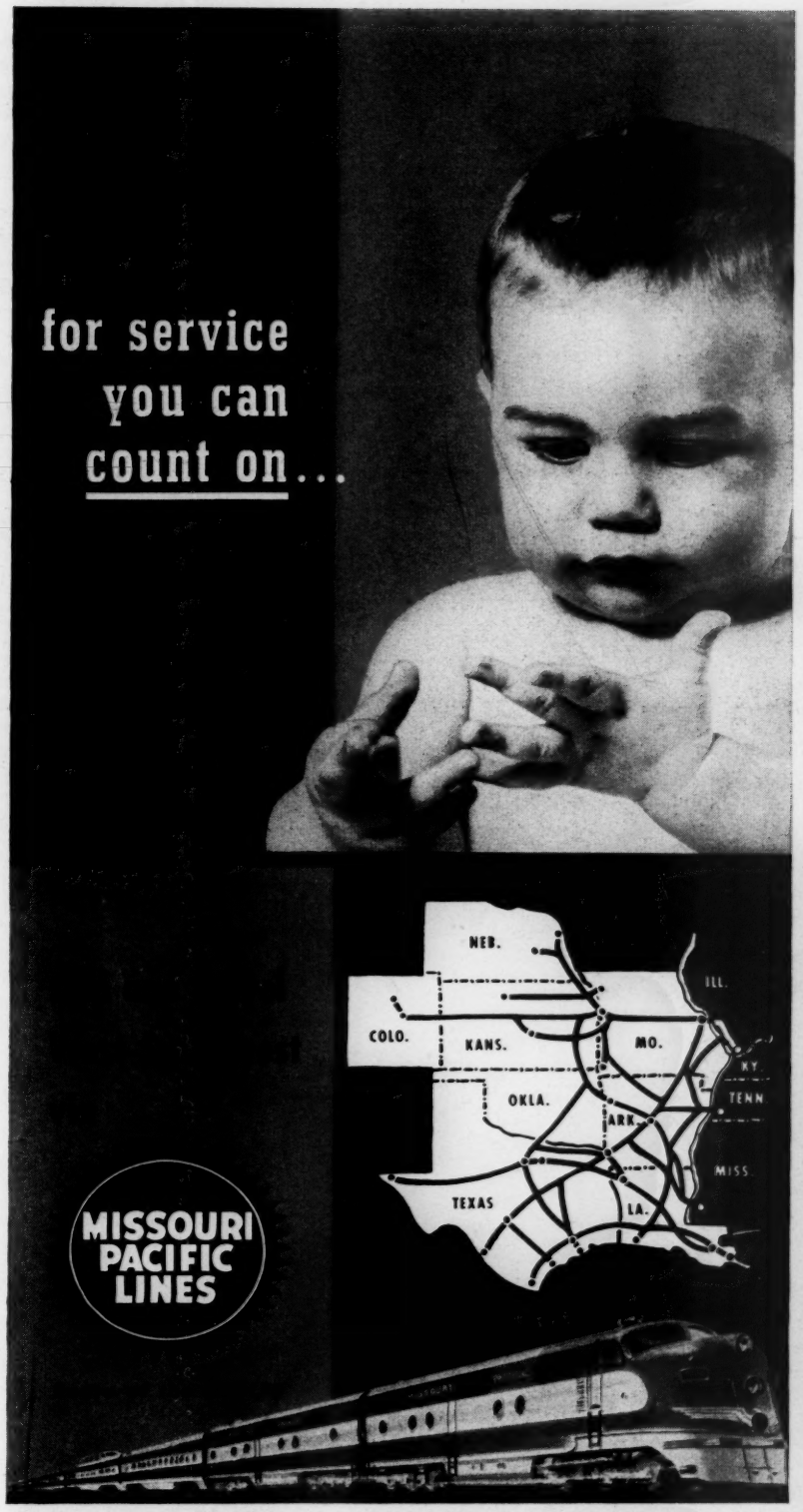
They point out that, in the U. S., profits remitted from abroad run into heavy corporate taxes. Antitrust suits by the U. S. Government are criticized as having discouraged American firms from entering into partnerships abroad. There are complaints that large-scale U. S. Government aid has encouraged some countries to rely on loans or gifts, rather than American private capital, to help develop their economies.

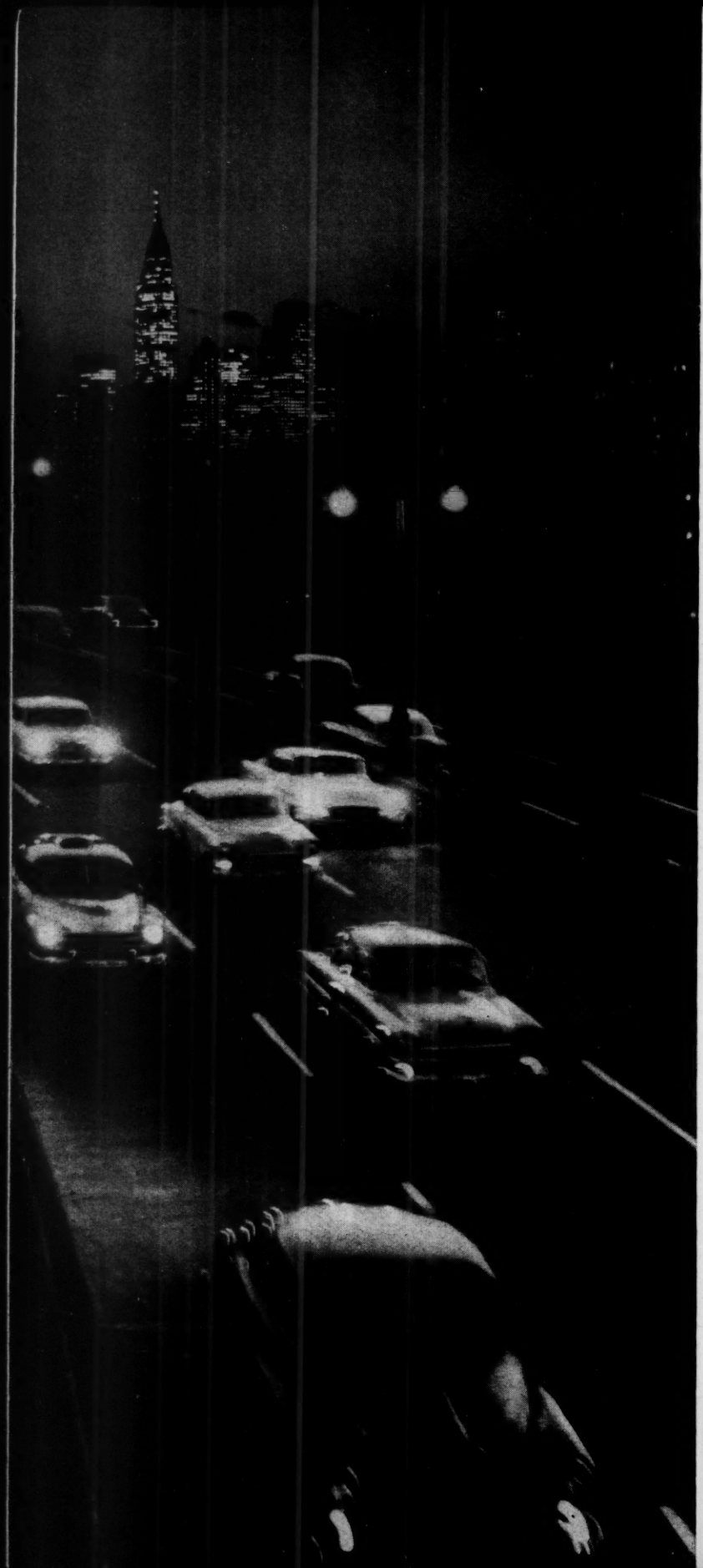
Lower taxes? Administration officials say they intend to improve the situation for U. S. investors abroad.

The officials are preparing for Congress a proposal that would lower taxes on the foreign profits of American firms. Government insurance against nationalization and inconvertibility is to be more extensively available than before to U. S. companies making new investments overseas. Other countries are being asked to enter into agreements to make things easier for American private-capital investments.

Behind these measures is the Administration's idea that private capital will take over from Government spenders much of the job of building up trade and prosperity in the free world.

They find that U. S. businessmen, already, are looking abroad as never before for investment opportunities. And more and more countries are getting a firsthand look at American-style private enterprise and what it can do to produce jobs and prosperity for people.





THIS IS NATIONAL STEEL

A multi-billion dollar baby changed our way of living

It was born in dimly-lighted workshops. Its first word was a sputter. Its first step touched off a revolution.

It came chugging, kicking and lurching into the Twentieth Century, the infant of America's inventive genius.

There was much laughing. It was awkward looking.

But it kept growing, learning by experience. And everything and everybody it came upon, it changed.

It rattled over cowpaths and down through the years, shortening distances, broadening our enjoyment of life, widening horizons, lengthening strides toward industrial greatness.

It started a revolution!

The automobile reached out and pulled our cities and villages together.

In the early 1900's the total length of all paved roads in the United States would not reach from Boston to New York. Now, today, there are 742,000 miles of *paved* roads—enough to go around the equator almost 30 times.

Where a farmer once accepted a 10-mile horse-and-buggy ride to the county seat as an all-day trip, he can now make the journey in a matter of minutes. For other millions, the drive to the next town or across the continent is almost as casual as a trip to the corner drugstore or supermarket.

The automobile created suburbs. People who once lived in houses huddled together on 25-foot lots found they could move out of town and still work in the city.

It brought a new way to move products from the farms to the cities, to move all kinds of household things from the factories to the homes.

It created new jobs.

From the few men who created the automobile, the number employed in making them has risen to 930,000. With the miracle of mass production it has been possible to manufacture *140 million* cars, trucks, buses.

One out of every seven American workers is employed in a highway transport industry—one out of every six American companies is primarily engaged in the manufacture, sale, maintenance, or use of motor vehicles.

American workers are paid 12 times as much today as they were at the start of the motor age. The luxuries of the 1900's are, in most cases, today's necessities. More pay has given more people more opportunities to buy homes, furnishings, clothing, and products of their labor.

It brought new problems.

Its ancestor—the horse and buggy—still casts its shadow on many of our roads, on streets and parking facilities. But we are making progress.

Soon it will be possible to travel from Chicago to Maine without leaving limited-access high-speed superhighways—which pay for themselves while saving time and money for motorists. In prospect is a nation-spanning network of such roads, integrated with the parkway systems of our larger cities.

Early in the automobile's development it was recognized that safety and mass production could best be achieved with steel . . . and steel became the most important material in its manufacture. Today, 84 per cent of your car's weight is steel.

Most of the many improvements in the automobile have been preceded by challenges to the steel industry . . . challenges to produce the particular kinds of steel needed to make improvements possible.

The tops, hoods and fenders of today's cars, for instance, exist because the steel industry was able to devise ways of rolling much wider sheets than were ever produced before and, moreover, sheets that could be readily formed by mass-production methods.

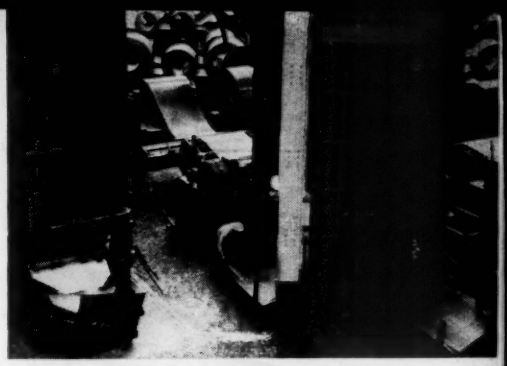
Under the beautiful paint job of every new car is steel . . . America's great bargain metal.

What about the future?

At any automobile show today, you see the unmistakable signs that there are still restless men at work.

These men are building exciting new concepts of that first automobile that startled America more than 50 years ago. These models of the future are longer and lower and much more demanding of steel. But whatever problem they pose, steel will come up with the answer.

In National Steel, we are proud of our long and close association with the motor industry . . . and proud, too, of our position as a leading supplier of automotive steels. It will be our constant goal, through research and cooperation with our customers, to produce still better steels for the better and better automobiles we are sure the future will bring.



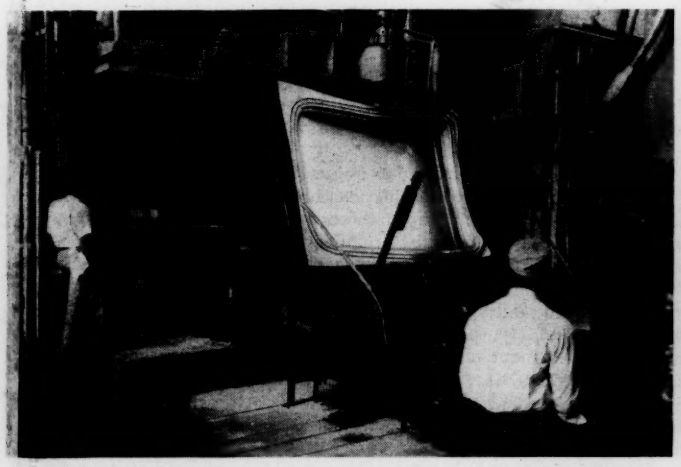
Here, in one of the first steps in making an automobile body, huge coils of cold-rolled steel from National Steel's Great Lakes Steel division are automatically fed into a blanking press. This giant machine cuts steel sheets into exact sizes for fenders, hoods, and roof panels.

NATIONAL STEEL

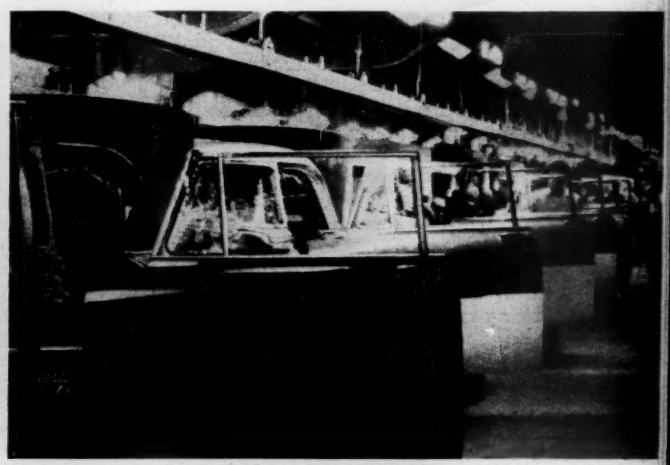
SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • National Steel Products Co. • Hanna Iron Ore Co. • The Hanna Furnace Corporation • Stran-Steel Division • National Mines Corporation

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.



An automobile roof panel is shaped in this modern press, ejected, turned right side up, and moved to the next machine . . . all automatically. This requires steel of great uniformity in surface finish, thickness, chemical composition and mechanical properties.



Assembly line techniques helped make possible the production of over six and one-half million cars and trucks last year. Here, an endless stream of automobile bodies moves down the line, each man contributing his special operation.

Attorney General Says:

REDS ARE TRYING TO WRECK INFORMANT SYSTEM OF FBI

Communists inside the U.S. are having troubles. Tighter Government curbs are making it hard for them to operate.

However, warns Attorney General Herbert Brownell, Jr., "We cannot lower our guard." The Reds, their old methods foiled, keep coming up with new tactics.

Latest Communist tactic, says the Attorney General, is an attempt to smear Government witnesses. He names Harvey Matusow as the spearhead in this attack.

Mr. Brownell tells here how this strategy failed in its first court test—and Matusow wound up under prison sentence himself.

Following is full text of an address by Attorney General Herbert Brownell, Jr., delivered in Boston March 21, 1955:

Nearly a year ago, at President Eisenhower's request, I reported to the American people on the threat of Communist infiltration here at home and what the Federal Government is doing about it. I said that the menace of Communism was very real; that it would be foolhardy to minimize the dangers it posed; that we should not have exaggerated fears of those dangers; that our Government was well aware of them and was meeting them in an orderly and effective way.

We have made a great deal of progress in the past year—progress which I shall outline to you today along with new problems which have arisen. But it is clear from the intelligence information provided to me by the Federal Bureau of Investigation that we cannot lower our guard. We cannot relax our vigilance. The dangers—even many of the same problems—still exist, because of the very nature of the Communist conspiracy. It is a world-wide plot, directed by scheming, ruthless men who would bend the whole world to their selfish will. They cannot rest, they cannot succeed, until they have enslaved all the world. When repulsed in one area, they try another. When one plot is exposed, they hatch another.

The hard core of Communists in this country are cast in the same mold. They are willing to devote their lives to destroying in this country the very freedoms which allow them to speak and write and act.

The Communist Party, U.S.A., is like an iceberg. Only a small part can be seen, but the bulk is beneath the surface. The exposed part of the Communist conspiracy in this country is shrinking, but there continues to be much activity beneath the surface. The members of the Communist Party resort to secret meeting places, secret schools, even secret symbols or numbers in place of names. They use an Aesopian language in describing their aims and functions, an admittedly protective form of expression which most of us consider just plain double talk.

The Communist Party line has not varied much in the past year. The Communists still use any available issue or incident to vilify the United States and glorify the Soviet Union. They oppose rearming West Germany; they advocate admission of Red China to the United Nations. At home, they seek repeal of the Smith Act, the Internal Security Act of 1950, and the Communist Control Act of 1954. They advocate merger of Communist-dominated unions with others affiliated with the CIO or AFL. Stress is laid on infiltrating non-Communist groups to advance Communist objectives, on penetrating basic industries and on recruiting members, particularly Negroes, youths and industrial workers. They have attempted to step up Red propaganda. Last fall, for example, they distributed more than half a million copies of a pamphlet carrying the party program. That pamphlet was entitled innocently enough. It was called "The American Way to Jobs, Peace and Democracy."

But I can report to you that the Communists are having their troubles, too. They are not having much luck recruiting, or even maintaining, their membership. We know their fund-raising drives are falling short. They are hard-pressed to keep an active leadership intact and functioning in the face of Government actions. They have set up their own internal-security apparatus to offset infiltration by the FBI. That apparatus has not only been ineffectual, it has spread fear and distrust within Communist ranks, and created disorder in party communications. The party's schooling program is dwindling. Its largest school, the Jefferson School of Social Science in New York, has been disrupted by the Subversive Activities Control Board hearings. These have resulted in a recommendation the school be required to register as a Communist front.

The SACB hearing examiner held that the school was established by the Communists to teach both Communist ideas and work. The school trustees have been trusted party members. The Communist organization supplied funds to run the school and provided quotas of students. Instruction ranged from Marxist theory to such more practical subjects as recruiting party members.

Similarly, proceedings brought before the Board of the Department of Justice against the Labor Youth League have hampered Communist efforts to recruit members and spread hate propaganda among our youth. After other lengthy hearings, the Board has ordered the Labor Youth League to register with the Attorney General as a Communist front: so the public may know its officers, its financial support and the objects to which its resources are devoted.

Evidence shows that the Labor Youth League has never de-

viated from the Communist Party line. It can't, because it has been supported financially and otherwise by the Communist Party; persons who directed and led youth activities of the party became the leaders and officers of the League. The evidence showed that these persons were subject to Communist discipline and that the League personnel and funds have been devoted consistently to furthering the aims of the Communist Party.

Meanwhile, we have continued to strike at the Communist conspirators with a number of other legal weapons. Another 250 subversive aliens have been deported or ordered deported since last April 9. Six persons have been convicted of lying to the Government about their Communist affiliations and another six indicted for the same offense. Four persons were convicted of harboring fugitive Communist Party leader Robert Thompson, who was himself jailed with an extra penalty for jumping bond.

The Smith Act, which makes it a crime to advocate the violent overthrow of the Government, remains a most effective legal weapon to strike at the leadership. Nine party leaders and organizers were convicted at Philadelphia and 5 others at St. Louis in the past year. Seven were indicted at Denver; 8 at New Haven, and 11 in Puerto Rico. Four leaders have been apprehended on indictments under the membership count of the Smith Act. One of these four has become the first person to be convicted for membership in the party, knowing that its aim was overthrow of the Government. He was Claude Lightfoot of Chicago.

Lightfoot, as our evidence showed, was a member and leader of the Communist Party for 20 years. In recent years he had joined other leaders in the party underground. He was indicted last May 14, apprehended by vigilant agents of the FBI in June, tried and convicted in January and sentenced in February to five years in jail. At his trial, his own counsel conceded that Lightfoot was a member of the party; conceded that Lightfoot had held offices ranging from local organizer to alternate member of the National Committee, the Communists' highest governing body. He conceded that Lightfoot understands Communism and has taught its meanings in classes and in writings. Lightfoot told students in a secret party school in 1947 that the party would spill blood, if necessary, in carrying out its objective of overthrowing our Government.

Two new laws are added deterrents to those who would play the Communists' game.

The first of these is the so-called immunity statute. One case under it already is before the courts. It involves William Ullman, a man identified in sworn testimony before a congressional committee as a member of a World War II Communist spy ring. Ullman was called before a grand jury and refused to testify. Under the new law, a federal judge was asked to grant him immunity from self-incrimination and order him to testify. The judge did so, but Ullman persisted in his refusal. The judge sentenced him to six months in jail for contempt of court. Ullman has served notice of appeal.

The second tool comes in the Communist Control Act of 1954. It utilizes machinery of the Subversive Activities Control Board to determine if Communists have subverted a legitimate business or labor organization and to enable members to free themselves from such domination.

It is no secret that the Department of Justice is reviewing and updating files on various unions which were thrown out of the CIO some time ago on the ground that they had fallen under Communist domination. When those reviews are complete, we will bring whatever proceedings are warranted by current facts.

Meanwhile, some of the unions which might be involved have made moves to do one or more of three things:

1. Take action to cleanse themselves of Communist domination, which is exactly what Congress wants them to do.

2. Attempt to conceal such domination.

3. Seek affiliation with other unions which are members of the AFL or CIO and thus gain exemption from the Act. This, recall, is one of the new facets of the Communist line, and responsible leaders of the major unions have warned their member unions to look very cautiously at such affiliation proposals and to insist on certain safeguards to insure that they will not be allowing themselves to be infiltrated through affiliation.

Perhaps the heaviest blow which this Administration has dealt the Communist conspiracy has been to dry up sources and potential sources of information in Government, to virtually eliminate the opportunity of setting up a fifth column within the Government. This has been done by establishing a realistic employe-security program.

The Civil Service Act of 1912 established minimum procedures for dismissal of permanent employes for the good of the service, but left much discretion to agency heads.

–United Press

ATTORNEY GENERAL BROWNELL
"The Communists are having their troubles, too"

During the early years of World War II, several attempts were made by Congress to obtain better security precautions in the executive branch. Summary removal powers for national-security purposes were enacted late in 1942.

Then, in 1947, Executive Order 9835 initiated an employe-loyalty program. But, only when an employe was held to be currently disloyal was any action generally taken under that Order until 1951, when it was broadened to include reasonable doubt of an employe's loyalty. It made no allowance for the fact a person might be a risk to our national security even though his loyalty was unassailable.

Congress, in 1950, passed Public Law 733, after pointing out that persons subject to blackmail, those who talked too much and those with unsatisfactory associations or habits, could constitute a serious security danger as well as traitors. During hearings, one high official testified that "a single act of

. . . "Job of checking federal workers is almost completed"

a disloyal person and a single act of an indiscreet employe can do equal damage to our security."

When President Eisenhower took office, he established the present Employe Security Program to carry out the purposes of the 1950 law enacted so overwhelmingly by Congress. As the law demands, the head of each department or agency is made responsible for effective security within his department or agency. The Order requires investigation, in varying degrees, of all appointees to federal positions. It establishes criteria for judging whether employment is consistent with security. It requires suspension and, after review, termination of employment of those deemed security risks. And, right here, let me quote a little of Public Law 733. It says:

". . . to the extent that such agency head determines that the interests of the national security permit, the employe concerned shall be notified of the reasons for his suspension and within 30 days after such notification any such person shall have an opportunity to submit any statements or affidavits to the official designated by the head of the agency concerned to show why he should be reinstated or restored to duty.

"The agency head concerned may, following such investigation and review as he deems necessary, terminate the employment of such suspended civilian officer or employe whenever he shall determine such termination necessary or advisable in the interest of the national security of the United States, and such determination by the agency head concerned shall be conclusive and final."

The law, and the machinery under the Order, provide for written statements of charges to suspended employes, an opportunity for them to answer, a hearing upon the employe's request, a review of the case by the agency head or his representative and a written statement of final decision.

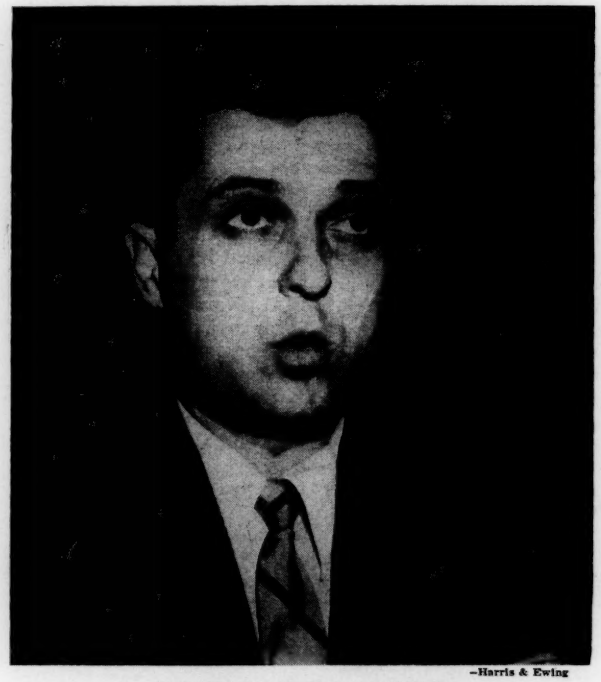
How Security System Works

An example of the effectiveness of the employe-security program is the case of Joseph Sidney Petersen, Jr. He was a trusted employe of the National Security Agency, one of our most sensitive agencies. In the course of a security check, allegations arose which could have led to his dismissal under the Executive Order. In the ensuing investigation, information was obtained indicating Petersen might have illegally in his possession certain highly classified documents. Under the Order, the investigation immediately was referred to the FBI. Petersen admitted having stored such documents in his apartment, where they were recovered, and also admitted furnishing contents of the documents to representatives of another government. He was arrested and indicted on three counts of the espionage laws. He finally entered a plea of guilty to one count and was sentenced to seven years in prison.

The tremendous job of checking the 2.3 million federal workers is almost completed. Ahead, then, the big task will be only to screen applicants for Government jobs. This Administration is dedicated to a policy not only of getting security risks out of Government, but also we propose to keep them out of the Government as long as we are in office.

As a result of all this progress in the fight against Communism, resulting from our new Internal Security Division under Assistant Attorney General William F. Tompkins, the Communists themselves have recently made a major shift in the emphasis they place on their various programs. It is becoming increasingly clear that the current violent attack against Government witnesses and against the FBI's confidential sources of information has many of its roots in a Communist effort to stem the successful campaign against subversion.

The Communist Party has sought for years to uncover, to smear, to destroy the informant system of the Federal Bureau of Investigation. Communists call the FBI "The enemy." The party's "Manual of Organization" published in 1935 discussed how to "safeguard the party organization against stool pigeons" and "how to expose stool pigeons." Those "stool pigeons" included anybody who worked for the FBI, who provided information to the FBI or who testified in court against the Communist Party. Other articles in Communist publications have repeated this attack year after year.



—Harris & Ewing

HARVEY MATUSOW TESTIFIES

Mr. Brownell: "Matusow now claims that virtually everything he said . . . was a lie"

A young man named Harvey Matusow has become the current focal point of the attack. Harvey Matusow testified for the Government in two criminal prosecutions. He also appeared before the SACB and before congressional committees.

Matusow now claims that virtually everything he said in those appearances was a lie. The Department of Justice, two federal courts, a grand jury and a Senate committee have been investigating and one case has come to a conclusion which I believe is well worth reporting today.

Fourteen months ago, Clinton E. Jencks, an official of the International Union of Mine, Mill and Smelter Workers, was convicted of filing a false affidavit to the National Labor Relations Board in that he denied being a member of the Com-

. . . "The tactics of these diabolical conspirators change"

munist Party. Seven witnesses, including Matusow, testified concerning Jencks's Communist connections. Jencks himself, when confronted with Matusow's testimony by a Senate committee, invoked the Fifth Amendment and to this day has not denied, under oath, any of Matusow's testimony.

Despite this, Matusow filed an affidavit in the United States District Court at El Paso, Tex., where Jencks was convicted. Matusow claimed in that affidavit that his original testimony was false. Jencks simultaneously filed a motion for a new trial, based on the affidavit.

District Judge Robert E. Thomason, who had presided over the original trial, held hearings for a week on the Jencks motion.

Presented in evidence at the hearing was a tape recording made by the publisher of Matusow's recent book of a conversation between himself and Matusow. In that conversation, Matusow declared of his original testimony:

"I knew Jencks was a party member and I said so."

Then Matusow added:

"I can't say here that Jencks wasn't a party member after he signed the affidavit [to the NLRB] because I know that he was."

And yet Matusow went into court and tried to convince the Judge that Jencks was not a Communist. Evidence also showed that the original book outline prepared by Matusow did not even mention Jencks, the El Paso trial or false testimony in any criminal prosecution. The Government showed that material prepared by Matusow differed markedly with the finally published version in other respects and that the Mine-Mill Union, of which Jencks was an official, advanced several thousand dollars to the publishing house in connection with the book, some of which in turn was advanced to Matusow, before and after he signed his affidavit claiming he had lied.

Judge Thomason denied a new trial, stating that "there has been nothing developed" in the hearing "in the way of evidence or testimony that has caused the Court to have any doubt" that Jencks was guilty as charged.

Why Matusow Was Sentenced

The Judge then ordered Matusow before him and declared:

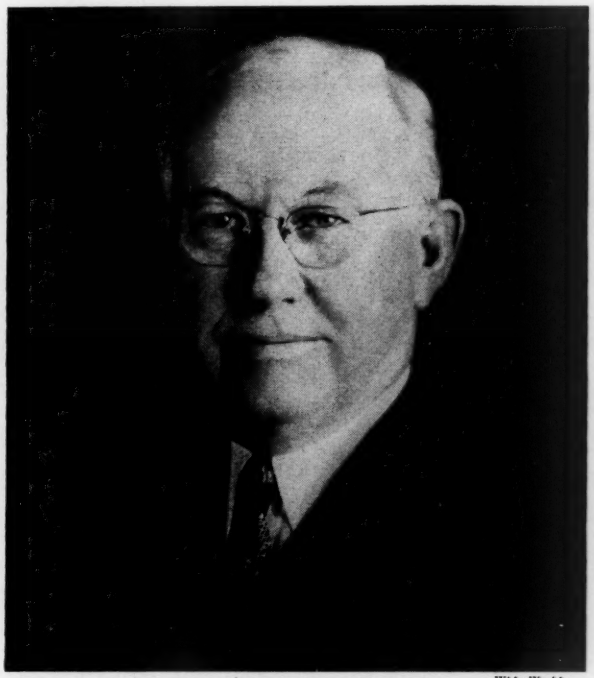
"By recanting your former testimony, given in this court, which I believe in substance was true, you have, in my opinion, deliberately, designedly and maliciously attempted to obstruct the justice of this court."

Judge Thomason found Matusow in contempt of court. Last Wednesday, he sentenced Matusow to three years in jail. I think the statement Judge Thomason made at that time sums up that phase of the Matusow case as well as is possible at this time. Let me read it to you:

"I am firmly convinced from the evidence of the witnesses, including that of Matusow, not only that the evidence offered, in support of the motion, is not worthy of belief, but that Matusow alone or with others, wilfully and nefariously and for the purpose of defrauding this Court and subverting the true course of the administration of justice and obstructing justice, schemed to and actually used this court of law as a forum for the purpose of calling public attention to a book, purportedly written by Matusow, entitled 'False Witness.'

"This Court finds the fact to be that as early as September 21, 1954, responsible officials of the IUMMSW, under the guise of seeking evidence in Jencks' behalf, subsidized the writing and publication of this book by authorizing the expenditure of union funds for that purpose. This at a time when, from the evidence, Matusow had no intention of writing any such book as was here exhibited or of changing his testimony given in the Jencks trial. I find that this subsidization was deliberately done the more easily to persuade Matusow to lend himself to the perpetration of a fraud on this Court by means of the filing of his recanting affidavit and his testimony given herein. I find that Matusow wilfully and with full knowledge of the consequences, lent himself to this evil scheme for money and for notoriety.

"It is my firm conviction, moreover, that this hearing was deliberately brought on for the purpose of attacking



—Wide World

JUDGE ROBERT E. THOMASON
"Matusow wilfully . . . lent himself to this evil scheme for money and for notoriety"

the judgment of this Court, attacking the Federal Bureau of Investigation and the Justice Department, in a carefully thought out scheme to generally discredit by these means the testimony of undercover agents and former Communist Party members who give evidence against the Communist Party of the United States and its adherents. Matusow, by his action, conduct and testimony, had, and done in my presence during this period, obviously made an effort to convert these proceedings into a trial of the Department of Justice rather than of the issues before this Court. Nothing that Matusow has offered in his defense has persuaded me otherwise."

As you see, while the fight against Communism goes on, the tactics of these diabolical conspirators change. But the important thing is that we are making great progress in our fight against them.

An attitude and aptitude for solving bearing problems . . .

Fafnir Super-Precision Ball Bearing for main rotor shaft of jet engine

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In this man-made inferno, the jet engine, there is no place for parts that "can't take it." Rapid and wide temperature changes distort them. Without proper compensation, they get out of line, resulting in vibration and wear.

For jet engine rotor shafts, Fafnir builds super-precision bearings with measurements made to millionths and finishes to microinches. They're specifically designed to compensate quickly for distortion and to maintain shaft rigidity under blast furnace conditions.

Such bearings can come only through collaboration with aircraft engineers and designers. Perhaps similar collaboration can help you solve a bearing problem involving temperature extremes. The Fafnir Bearing Company, New Britain, Conn.

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IN YOUR PERSONAL PLANNING

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Important things are happening in the armed forces' Reserve-officer program. They affect individuals now holding Reserve commissions, and those already in the Reserve Officers Training Corps or else considering it in college plans.

RESERVE OFFICERS. The Army and Air Force are faced with the difficulty of fitting oncoming crops of young officers into a reduced manpower program. So screws are being turned on Reservists in some new ways.

The Air Force, for example, is now getting out letters to Reserve officers who haven't been keeping up on requirements for participation in active Reserve units. In effect, the letters give them three choices--start being active, ask for retirement if eligible, or resign their commissions. First letters go into the mail April 1. Some 80,000 officers will get them.

TRAINING CRACKDOWN. Note, too, that a lessened Army need for officers leads to tougher going for ROTC graduates after they are called to active duty. Those who can't meet standards in training may find themselves being marched right back home. If they've served less than six months on active duty, they can be drafted. And that's happening now on occasion.

ROTC TIMING. Both the Army and Air Force, under a new Defense Department O.K., hereafter will have two years instead of one in which to accept new ROTC graduates for active duty following graduation. Thus the services get more leeway in spacing out the influx. Both branches point out, though, that, at the time he gets his sheepskin, the newly commissioned officer can get a pretty firm indication of when he will be called. This new authority, they say, lets him ask for a delay of up to two years, and so actually helps him make postgraduate study or work plans.

FARM EMPLOYES. There's confusion about the filing requirements for Social Security taxes due on wages paid farm employes. Some employers may have to make a return, and pay the tax, on a quarterly basis starting as early as April 30. Others can wait until after the end of the year. Here's the distinction:

When the total tax liability--the amount paid in by both employer and employe--reaches $100, the employer must turn the tax over to the Government in a return. That becomes due after the close of the quarter in which the $100 liability was reached. This $100 represents the tax on wages of $2,500. Thus employers who pay out less than $2,500 in farm wages during the first nine months

(over)

of the year would have to file only one return, and that not until after the end of the year. Others, paying more, would have to file in earlier quarters.

SELLING A HOUSE. A ruling by the federal tax collector spells out a point involved in your income tax liability should you sell your home and build another to replace it.

The law says that if the cost of your new residence is more than the sale price of the old, you aren't subject to tax at the time on any gain you realize from the sale. But you must start the construction within a year of the date of the sale--a year before or a year after. And you must move into the new residence within 18 months after the old one was sold.

Now the tax collector explains that any construction costs falling outside this 30-month period can't be counted. Thus--even though the new home may actually cost more than you got for the old--you still may have a gain to report.

TAX DEDUCTIONS. On your income tax return, you can't claim a $600 exemption for your wife and also claim a $600 deduction for her as a dependent. That possibility had been argued as a result of changes in the definition of a dependent made by the new tax law. Now an announcement by the Internal Revenue Service lowers the boom on such a double deduction.

TRAVEL TIPS. Japan, our editor for the Far East advises from Tokyo, is soaring in vacation popularity. One reason is favorable word about the country spread by GI's. Another is air travel that makes possible trips in three weeks that not long ago took a couple of months. But U.S. tourists complain most about high prices and jammed Japanese trains and buses. Western-type hotels are infrequent and expensive, and Japanese inns, though charming, are an experience few tourists care to try more than one night.

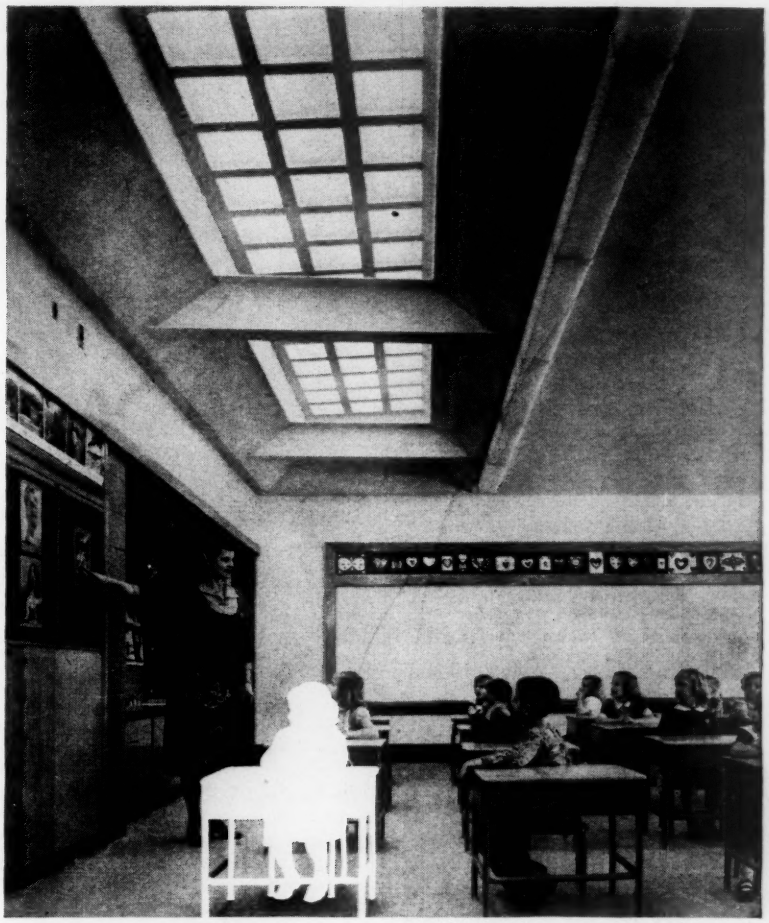
TV ANTENNAS. Weathering, aging and corrosion from chimney smoke and soot can cut down the efficiency of your television antenna--you'd do well, says a new booklet, to give it at least half the maintenance care you give your car. The booklet, "Your Television Antenna System," was prepared by a manufacturers' association as a consumers' guide to antenna installation and care. It should be available, free, through your local Better Business Bureau.

HEARTS AND DIETS. Risk of a heart attack is greater if you put on weight again after dieting than if you had stayed overweight, a New York physician says. He is Dr. Norman Jolliffe, director of the bureau of nutrition in the New York City Health Department. His findings apply to men between 40 and 65 who are more than 10 per cent overweight.

HOME GARDENS. People who like to putter with home vegetable gardens will find seed supplies more plentiful than in the last four seasons, the U.S. Crop Reporting Board announces. Also, new plant varieties will hit the market.

You can get a guide on best time for planting from your State agricultural extension service. If you plan to sow while the ground temperature is still low, best treat the seeds first with a chemical protectant, a Federal Extension Service leaflet advises. There are half a dozen kinds available, it adds; they are inexpensive, and they help prevent loss from seed rot and seedling blight.

Architect: Raymond Viner Hall, A.I.A.



PC FUNCTIONAL GLASS BLOCKS have long been famous in classroom walls because they gather up daylight and throw it far into the room (special prisms in the blocks do the job). But lately many schools have been designed with classrooms that are deeper and lower than ever before. This is a wonderful cost saving measure, but it cuts down the daylighting for the kids on the inside row.

To answer this problem, Pittsburgh Corning came up with a glass block specially designed for toplighting—the PC Skytrol Block.

The kid on the inside row gets a break

Panels of Skytrol Blocks overcome the problems of ordinary skylights. As each block contains *two* insulating air spaces, it won't "sweat." And the special design filters and diffuses the daylight so that the students have plenty of light without harshness.

Skytrol blocks can be used in any type of school, commercial or industrial building. Most important: the installed cost is *less* than for any comparable toplighting system, and maintenance is practically non-existent.

For more information on Skytrol write Dept. US-45 today.

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FROM MEXICO

BOOM IN TOURISTS

MEXICO CITY—Mexico is experiencing the biggest tourist boom in its history.

Nearly 40,000 people a month from the U. S. are coming down to see the sights and spend vacation time in this neighboring republic. At the present rate, U. S. visitors will spend more than 360 million dollars in Mexico this year.

This country, in fact, regards itself more and more as a competitor of the popular winter resorts in the United States. Resort operators stress the scenery—plus the price breaks that go to a tourist who starts out with U. S. dollars to spend. Prices have risen somewhat since last April, when the value of the Mexican peso was cut from 11.5 cents to 8 cents. But you still can get a good double room with bath at some of the better hotels for around $10. Food prices generally are lower here than in the U. S.

Some of this year's crop of tourists are coming down by train or bus, but thousands are driving their own cars. Good roads now lead from several U. S. border cities into Mexico and interconnect the principal cities of this republic. Other thousands of visitors arrive by air. Commercial planes operating between Mexico City and the United States usually are filled.

The most popular places with tourists from U. S. are Mexico City and the beach resort, Acapulco, on the Pacific Ocean about 200 miles south of here. Hotels in these two cities are filled to overflowing.

The halls of Montezuma. In Cuernavaca, the picturesque town south of here that was the winter capital of Aztec Emperor Montezuma and of the Spanish conqueror, Hernán Cortés, the streets and markets are packed with tourists. The four lanes of the new divided highway that links Cuernavaca with Mexico City are heavy with traffic. From Cuernavaca, many of the tourists drive on to

—American Airlines, Black Star

TOURISTS ENJOY ACAPULCO . . . . . AND MEXICO CITY'S MARKETS

. . . competition for winter resorts in the U. S.

Taxco, a few miles farther south—a charming old city in the mountains.

While getting less of a play from the tourists than these towns, other cities are receiving quite a little attention. Among them are Puebla and Guadalajara, which date back to the sixteenth century. Some tourists take the scenic drive through the mountains down to Veracruz, the big port on the Gulf of Mexico. A few fly to see the ancient Indian ruins in Yucatán and Oaxaca. Guaymas and other ports along the Gulf of California are popular with deep-sea fishermen.

Most tourists find that they can get along satisfactorily without knowing Spanish. All the big hotels have English-speaking staffs. So do the airlines. Hundreds of taxi drivers, who have spent some time in the United States as students or working on farms or railways, remember some English. There are hundreds of guides who speak English.

One difficulty. Air travelers have their principal difficulty at Mexico City's new, modernistic air terminal. Although the airlines have English-speaking personnel, all announcements on the public-address system are in Spanish. Most tourists who travel by air, thus, cannot understand the instructions that come to them over the loudspeakers.

The top man in charge of airports, the Secretary of Communications and Public Works, has been asked repeatedly to have the announcements given in English as well as in Spanish, for the convenience of the hundreds of people from the U. S. who use the terminal daily. It has been pointed out to him that, for the benefit of Latin Americans, announcements are made in Spanish at the principal gateway airports in the Southern United States. But the Mexican official refuses to give in. Frequently some tourist nearly misses his plane because he cannot understand the announcements.

Food is safer. Since sanitary conditions in large parts of Mexico have improved considerably in recent years, most tourists avoid the intestinal upsets that used to plague visitors—as long as they eat in the better hotels and restaurants. It's prudent to drink bottled water and to avoid eating fresh fruits and vegetables that have not been cooked or peeled, unless U. S. citizens living in the area say it's O.K. to eat them. Persons susceptible to high altitudes are advised to go slowly during their first few days in Mexico City. The altitude here is about 7,500 feet.

The influx of tourists is beginning to show signs of easing up a bit with the ending of the winter vacation season in the U. S. The summer vacation business, however, is expected to keep on breaking records. Tourism, which has been big business in Mexico ever since World War II, now is even bigger than ever.

Activity never stops as around-the-clock tests on the Chrysler concrete test oval tell engineers all about the durability of their cars and trucks.

CHRYSLER CORPORATION CHOOSES

Concrete Paving

FOR GIANT TEST TRACK

The world's largest automotive road testing center was recently opened by the Chrysler Corporation in Chelsea, Mich. This new proving ground covers 4,000 acres and includes two separate concrete straightaways totaling almost 4 miles in length and a 4.7 mile concrete test oval that engineers believe to be the fastest closed track in the country. Speeds of 140 miles per hour are possible on the banked turns.

The six-lane test track and straightaways equal more than 18 miles of 24 ft. wide concrete road. These new facilities will enable Chrysler engineers to study speed, fuel economy, durability, acceleration and other characteristics of their cars.

Like the Chrysler engineers, highway engineers are using concrete paving for modern roads all over the country. They have learned that concrete roads serve better, last longer and require less maintenance than any other type of pavement. The result is *low-annual-cost* service that pleases motorists and taxpayers.

PORTLAND CEMENT ASSOCIATION, 33 W. Grand Ave., Chicago 10, Ill.

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Interview

with NEIL H. McELROY

Chairman, White House Conference on Education

10 BILLIONS A YEAR MORE FOR SCHOOLS BY 1965?

Crowded schools, a shortage of teachers, fast-growing enrollment—these problems are raising serious concern about the nation's educational system.

How critical is the situation? And what is being done about it?

To find out, editors of *U. S. News & World Report* interviewed Neil H. McElroy, of Cincinnati, Ohio, chairman of the White House Conference on Education. This conference, created by President Eisenhower, is studying school needs, will propose remedies.

Mr. McElroy, president of Procter & Gamble Company, has concerned himself with educational problems for many years. He predicts that the nation's school budget may have to be increased by 50 per cent in the next few years. This interview tells why.

Q Just what has been your connection with the educational problem of America, Mr. McElroy?

A I've gotten a good deal of background on it from working in the National Citizens Commission for the Public Schools.

Q What is that Commission?

A It's an organization that was put together five and a half, six years ago—something in that range—headed by Roy Larsen. I think I'm right in saying that Jim Conant, of Harvard, is the fellow who really stirred the thing up. He has a deep interest in secondary education—everybody in college and university life does have, because that's what they have to build on.

The quality of their educational product is whatever the quality of the secondary-school education is. It became apparent at that time just on plain mathematics that the number of children born was going to put a proportionate load against the school system. This load was going to give dimensions to the problems that were so abnormal that the people of the country needed to be aroused to it.

Q Quantitatively or qualitatively?

A Quantitatively, primarily, although in the development of answers to these questions, the quality of the education in the country that the people wanted to give to their children had to come into it, also. If you are willing to have children go to school half in the morning and half in the afternoon—if that's your idea of the kind of education you want to give to your children—then you don't have to have quite as many school buildings.

But if you want them to go all day and get that quality of education, then you are going to need more school buildings than the other way. The quality thing does come into it, without question.

Just from the quantity factor alone, however, it became apparent that the people had to adjust their minds to very large money investments. Not only money, but as to how they are going to get the teachers. These things were influenced some by the fact that in the '30s we had an abnormally low birth rate, which meant for a considerable period of time we had all the schools we needed, and then we went from that into a very high birth rate.

The high birth rate continued beyond what most of the prognosticators thought then was going to happen, and is still continuing, with the result that we went from an abnormally small number of children to be educated to an abnormally high number, at least compared with any recent past.

Q Will this conference of which you are chairman be the first White House conference that has been held on education?

A I've never heard of any other on education.

Q Of course, usually we think of the States running education. How does it come about that we are getting into it at the federal level?

A The thought was that if the prestige of the White House and the prestige of the Governors—there are State conferences in each one of the States that are preliminary to the White House conference—could be put against the consideration of these problems, there would be focusing of public attention which could not come about in any other way. That really is the reason for all of this.

In addition to that, of course, Congress was willing to appropriate federal money to finance both the White House conference of next November and the State conferences, so that you wouldn't just have a State conference here and a State conference there, depending on whatever the legislature decided in each particular State. Since the financing had

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Schoolteachers' Salaries: "Low" . . . Twice as Many Colleges Needed by 1970 . . . Big Question: How to Finance Building

already been arranged by federal funds—which were not of great importance, a modest contribution for the Federal Government to make to the encouragement of local solutions of these education problems—you could have a greater assurance that the State conferences, which are really the basic thing in all of this, would be held broadly over the country and at about the same time.

Q When are they going to be held?

A A half a dozen of them have already been held. Some of them had been planned even before the word went from the President to the Governors telling them about this thing, which was done sometime around the middle of November. But a number of States have been doing this kind of thing, anyway. Connecticut is a good example.

Q What have they come up with?

A Well, the fields of study are pretty much the fields that we are indicating as obviously the ones that need the attention of practically every one of these conference groups, whether State, local school district or national.

Out of these conferences comes a clarification, let's say, of what you need to do to attract schoolteachers. We know that one of the things is money. But that isn't the only thing. Sometimes it's the matter of the working together of the training institutions that train teachers. There has been a sort of conflict between the liberal-arts schools, for example, and the so-called normal schools, and the basis of preparation in the higher education levels is one of the kinds of things that have been worked on.

Another example is the kind of thing that is currently being done in Detroit.

The problem of finding enough qualified teachers is, I would guess, the knottiest problem of all. You can get money out of people, because people have money. I mean this country can finance any reasonable kind of educational standard it wants, because the country is really that productive. It is merely a question of deciding that you want to put your money on that kind of thing instead of buying books or buying another suit or another television set, and so on.

However, you can't just manufacture teachers by appropriating money. You have to have the teacher candidates and then give them time to become good teachers. In Detroit, school authorities are going to people who may have been teachers before they married or maybe to just college-trained women who got married—and now are 45, 50, their children have grown and moved from home. These women are being asked to return to teaching.

Now, Wayne University, in Detroit, in co-operation and encouragement of this program, which is the kind of thing a citizens' group can stimulate, has put together some refresher courses which help that kind of person get prepared to step into a school and do teaching in a relatively short period of time, say, 6, 7, 8 months. This is really a kind of emergency solution, but emergency solutions to the schoolteacher shortage have got to be found.

–USN&WR Photo

NEIL H. McELROY

Q Is it working?

A It is working, yes. Now, the kind of thing these conferences can do is to pick that up. As you probably know, there is something working in the State of Pennsylvania that is quite interesting in terms of a school-construction scheme, which, again, can be picked up and spread around.

Q What is that in Pennsylvania?

A It's the use of the credit of a State authority to provide money for the building of schools in school districts where, for one reason or another, credit is not adequate to provide the money by means of their own bond issues. What they do then is to make a contract with the authority by which the community is committed to pay a certain percentage of the cost of the building each year, for 30 years, 40 years or whatever it may be, and, when that period is passed, they've paid both the carrying charge and the amortization on the building. The money is back in the State complete, and the interest on the bond that has been issued by the State authority to finance the program has been carried in the meantime.

(Continued on next page)

. . . "What is the right number of children to a classroom?"

Q Then they rent these school buildings?

A Yes, but the rent includes amortization, which, so far as I know, is the first time there has been any amortization of a school cost. So, in theory, after 30 or 40 years, whatever the period is, they've got the dough to build another one. It is a very interesting conception in that respect because they've come to the terms of ordinary business finance.

Q Exactly when is this White House conference to be held?

A At the end of November, '55.

Q What will you accomplish in the meetings before November?

A What we have had so far are the first and second meetings of the committee for the White House Conference. That is a group of about 35 people who, to the best of our ability, were selected to represent a cross section of various kinds of interests in the United States having a natural concern with education.

AIMS OF CONFERENCE—

Q Have you people been given a directive by the President as to what you are supposed to do?

A The directive was in the legislation: "A conference broadly representative of educators and other interested citizens from all parts of the nation, to be called the White House Conference on Education, to consider and report to the President significant and pressing problems in this field of education."

Q What States do you have assurance will hold conferences before the November conference?

A Well, there are 53 States and Territories eligible under this law. Forty-eight of them have notified us that some action has been taken leading toward a conference. Out of the remaining five, four have done something, but not through the Governor.

Q What are the main problems that you are going to take up at this conference?

A I can best give you a quick look at them here. The order of consideration agreed on by the White House Conference committee reads as follows. We have regarded this order as a logical sequence.

First of all is the question: "What kind of school program do we want?" Some people say "goals." That's kind of a fancy word for me. It's really a question of what should our schools accomplish. How much vocational education do you want? Do you want to teach children to drive autos in the public schools? How much athletic program do you want? All of these things have a price tag on them. So, we believe the first thing that people need to consider in any educational conference, whether State or national or city, whatever it may be, is what they want to provide for these youngsters.

Q That is, what your goals are—

A Yes—what are your goals? All right. That is one section of the problem.

Second on the list is this question: "In what ways can we organize our school system more efficiently and more economically?"

Now, a good deal could be done to make the operation of the school dollar more effective by getting the actual governmental organization of the school districts better arranged. As an example of the kind of thing I'm referring to, I think most of us are conscious of the need for pulling together a lot of these "little red schoolhouse" areas into central high-school districts and then bringing pupils in from 10, 15 miles, if need be, to get them to these schools, which are big enough to permit the assignment of high-grade teachers and the provision of various kinds of physical facilities which, because of the scattered nature of the areas, you couldn't do otherwise.

Q Isn't that being done pretty generally?

A A good deal of it, but a good deal not. I mean there's much more can be done.

Q You are not concerned only with high schools, though, are you?

A With both high schools and elementary schools in their relationship to the whole educational system of the country.

Q Then it isn't for athletics and a big plant—

A It is primarily for the quality of teaching. Any time you have several grades being taught by a single teacher, and that kind of business, the quality of teaching has to suffer. When you pull the groups together so that you can give each class a teacher for that particular grade, you have a better opportunity to give them a better education.

Q What are the other questions on your list?

A No. 3: "What are our school building needs?" There you have the question of such things as what is the right number of children to put into a schoolroom. Until you can get a conclusion about that, you can't reach a conclusion on the number of classrooms needed. And, of course, as you well know, you can't just take a number of children, divide by 27—if that's the number to a schoolroom—and say that that's the number of schoolrooms you need. Life isn't that simple. It has got to be done by localities.

No. 4: "How can we get enough good teachers and keep them?" You might eliminate matrimony, of course. But we have to find more practical ways to keep them. It's part of the question of the competition of industrial money, and all of that kind of thing.

No. 5: "How can we finance our schools, build and operate them?" That's both the construction and the operation cost.

No. 6: "How can we obtain a continuing public interest in education?" That is the field of interest in which we would hope that these conferences, when held, might develop local citizens' groups like the one in Cincinnati or in Mamaroneck, N. Y., or the State of Delaware which are very active, and have them take a continuing interest. Let's say, encourage the holding of a State conference each year, whether there's a White House Conference or not, so that these problems, whatever they may be—and they may vary as the years go by—can have good citizen attention put against them.

ABOUT THE CURRICULUM—

Q You don't seem to have any reference to the curriculum—

A Well, we think discussion of curriculum will often be included under the subject of what our schools should accomplish. The degree to which this question is taken up, I'd say, will vary by communities. Where there is a hot feeling about the curriculum not being the right kind of thing for the development of the right kind of future citizens, they may punch at it pretty hard.

Q You're not going to set a national standard, then?

A No, no. In fact, the great advantage of all of this lies in the decentralization of the conference program, with local answers being worked out for local problems. One thing we're hoping for is that we may be able to develop enough interest on the part of one of the large foundations to provide funds for stimulating consideration of these problems at the com-

munity level. Whereas only State and national conferences are financed under the White House Conference program, there may be a large number of local conferences encouraged by foundation money. And provision has been made in the law for outside money to be used to further the conference program if it wants to come in.

Q You are really trying to stimulate local interest in education, aren't you? You are not trying to set forth standards and principles of the conduct of education in America, are you?

A We're encouraging local people to set them. We think the local people should decide for themselves what kind of a standard of education they want.

Q Well, aren't they doing that?

A Obviously, whatever is being done in a school district must be, to a great extent, in accord with what the citizens want, because that's the way our country is run. But I don't think there's been very much of this soul searching as to whether we're really doing it the way we should do it. That is what is hoped will come out of this.

Q More concerned over highways, maybe, than over education?

A That's right. In a lot of places that's probably true.

HOW STANDARDS ARE SET—

Q Educators are a little busy to be setting standards, aren't they?

A Educators can't set standards without public support. If there are some specific things that citizens would like to have in some community of which they are a part, they can get them if they're willing to say, "All right. As far as I'm concerned, you can tap my tax bill for that, and I'm going to like it!" If enough people get together in the conference kind of mechanism, and they're the right kind of people, then you have a chance, it seems to me, of getting that kind of public acceptance of what needs to be done.

In our particular community, thanks to the fact that in Cincinnati there's been no political influence on the school board or the school system in any way—and then, too, partly, I guess, because people in Cincinnati think it's important to have a good school system—they've put up the money when they had to put it up, and a lot has been requested.

Now, there are some areas where that isn't being done, and it usually turns out to be an area where you have some sort of damaging of the public confidence in the school system. It could be some one or more persons on the board of education. It could be the superintendent of schools, himself. It could be any one of a number of things. The idea is that you might say the schools have been a local concern in this country. The local people have said what kind of an educational system they wanted and they paid the bill. When I say "local," that includes the State, because, under State constitutions, the State has the responsibility for the educational program in that State, so the State and the communities work together.

Now, there's the big question as to what extent federal aid has to come in. There is no doubt but that one of the questions that will be pushed in these various conferences will be an analysis of what the States and communities can do. If they believe and feel confident that they cannot do it themselves, they may push even harder at the Federal Government.

Q If the Federal Government gets into it, will it be on the construction end or providing money for operations as well?

A Well, I think the current pressure is largely for building. Whether it goes beyond that, I guess we don't know. The building needs run into very large money.

Q Do you have any figures on how much it would run?

A I have a figure. I get it from another source, and I don't know that it's right, but it's about as good as a figure as any around. This is from a report that I have obtained from the National Citizens Commission, of which I was a member, but am no longer, because it seemed improper for me to stay on it in view of this new job. But, during the closing months of my membership, I was on a subcommittee called "Financing Public Education in the Decade Ahead." This report was issued by the National Citizens Commission; it states that 34 billion dollars for school construction between now and 1965 would be needed to catch up.

Q That just catches up?

A It catches up, but also takes care of all of the needs that accumulate during that period.

Q That's about 3 billions a year. The present rate of spending is about 2 billions a year, isn't it?

A I think it is.

Q If you give the State a completely free hand, you still haven't solved the problem, have you?

A Well, the thing that bothers a good many people is that if it turns out to be a federal program, unless it's extremely generous, you have a tendency to do the way you do in the airport development of the country, and other facilities, where the Federal Government has indicated that it would participate but never quite participates and the development of these things is delayed, because people wait for their share of federal aid. It's the kind of thing that, unless it's very well conceived and very well done, may delay this program of school building instead of helping.

Q Do you consider one of the objectives of your conference the development of this program of federal aid?

A No, not in those terms. What we do believe one of our responsibilities is to answer the question of how the school program, both in building and in operation, can be financed. If local and State sources are not adequate, then the question of federal aid will have to come in.

Q Will you recommend legislation in your conference?

A Our responsibility is to make a report to the President. Now, if we make some recommendation which, in order to become effective, will involve legislation, then that may be indirectly recommending legislation.

A CONFERENCE EVERY YEAR?—

Q Might this be a continuing thing—one of these every year?

A It is not expected to be. We are said to be discharged of our responsibility at the conclusion of this conference when we submit our report to the President. What looks as if it could very well happen is, however, that it may be indicated that other conferences, this time on higher education, adult education or other special facets of the education system, might be recommended in our report.

I can give you some of the dimensions of the problem of college and university education because I am also active on what is called the Council for Financial Aid to Education,

(Continued on next page)

. . . "Many of our really good schools are in bad straits"

which is a group in New York, organized by Irving Olds, Frank Abrams, Henning Prentis and a number of others. They are preparing information and feeding it out to industry and business of all kinds regarding the need and justification of corporate support of the privately endowed institutions of higher learning.

Q That's largely for the colleges—

A That's right. And primarily liberal arts, although scientific schools come in on it somewhat. But the statistics there—which I don't think have had quite enough publicity—are that, in the period between now and 1970, it looks very much as if the college and university population of this country will double.

The percentage problem is greater as you go on up from elementary to secondary and to college, and from college to graduate school, because what is going on is what they call a "staying" power. More people who finish elementary school are staying on into high school, more of those who enter high school are staying through high school, more who finish high school are going into college, and more of those who are finishing college are going into graduate school.

So the degree of the problem increases, percentagewise, as you go up the scale of education. If you think of the various colleges in the country that you have today and say that you must have an equal number additional by 1970 to take care of the college population, that's quite a lot to say. And yet those are approximately the dimensions of the problem.

TWO UNIVERSITIES FOR ONE—

Q Do you think private industry can provide that amount of money?

A I don't think there's a chance. But what can happen is that the privately endowed institution will take a piece of this, and I guess not a very big piece. Most of the money is going to have to come out of public funds. Instead of having one Ohio State, you're going to have two Ohio States.

Q You've got two State universities in California now. Doesn't all this imply an awful lot of faith in State legislatures, when nine out of ten of them are dominated by rural areas that aren't very enthusiastic about education? Will the States be very liberal?

A Oh, I think they will. I think this country is going that way. Out in California, you know, many cities provide the first two years of college now. That's just a step, of course. Not every State does that. My State doesn't. There are a few, however, mostly in the West.

Q You have a university in Cincinnati. Lots of cities are providing colleges now—

A Yes. Akron has one. That is partly city money and partly private.

Q You said you were associated with Irving Olds and his committee on higher education. Have you had any occasion to know what has happened to giving by corporations since the excess-profits tax went off?

A I don't know in those terms. My own belief is that business is developing the point of view that it has a responsibility to put some of its own money into these liberal-arts institutions on the basis that they are in financial trouble and they do prepare young minds for executive positions in industry. As education of future management, those institutions are important, and it's important for industry to find some way to put some money into those blood streams. I think this flow is gradually increasing. Our own company is an example. We have crossed the bridge that we're going to do something more than we have been doing.

Then there's the question, "Just what are you going to do?"—which is never particularly easy. Because with the large number of liberal-arts institutions, if you try to do something for each one, then you scatter your shots so that the help to each would be peanuts. If you don't make something available to each one of them, then, of course, those not included naturally ask why they've been left out.

I don't say that critically. I say that is just one of the realities of life. But I think quite a number of companies are trying to find their way through. We have gotten there ourselves, and we are probably going to start a plan in the near future. We are getting started. Now, that's just one company. And we're not the first company by any means.

Q Does this go up and go down as tax rates on corporations go up and go down?

A It might go up and down as a company had good years and bad. However, a good many corporations took care of that by setting up foundations, so that, even though a company might have a difficult year, a fairly even flow of support could go to important causes such as education.

Q Are such contributions to colleges by industries deductible?

A Yes. I don't know about every State law, but you may recall there was one key question raised in New Jersey in which corporate giving to education was adjudged justifiable from the standpoint of broad public policy.

Q That went rather to the power of the corporation to use stockholders' funds. But, with respect to federal taxation, there is a limitation of 5 per cent, of course. Are any corporations giving 5 per cent?

A I would think that, if they are, they are probably privately owned. I don't know of any really large corporation that's giving away 5 per cent of its income.

COLLEGES "IN BAD SHAPE?"—

Q Is it true that most of the privately endowed colleges and universities are broke or are in bad shape?

A It's true that a great many of our really good schools, that have produced good people for this country, within the range of 400, 500 total pupils, are in bad straits. What's been happening, which is even worse, is that in order to keep from actually being broke, they've been taking it out of their teachers, so that professors in some of these smaller, privately endowed colleges are making less money than high-school teachers in many cities.

It's the kind of thing that ultimately will result in such a decline in the quality of college education that the country will pay for it in the educational preparations of its youth.

Q Are you getting any complaints from the country generally about the quality of education?

A Yes. I would say that I personally don't get so many of them, but they certainly get enough of them at the National Citizens Commission. You see, we haven't really been under way long enough for the conference itself to have received a great many comments of this nature.

Q What is the nature of those complaints, as you understand them?

A The general kind of criticism that goes on—and when I say "general," I mean in a good many places—is that the traditional kind of education that was given to children in the

days of the parents seems not to be given anything like as much attention as the kind of education that attempts to fit a child into a society, to the comparative undertreatment of such fundamentals as reading well and writing well and doing arithmetic. And, depending on your point of view, you either think your child is being well educated or you don't. A parent may say: "You can't even spell common words, and you're in the eighth grade. I could spell better than you when I was in the fourth grade." Or something like that. Well, I think everybody's got a right to have a crack at the subject of educational standards and goals. That's one of the first things confronting us.

IS EDUCATION "POORER" NOW?—

Q Isn't the quality of education always a good deal poorer than it was a generation earlier?

A Well, I think that's likely to be true in the mind of everyone. There are some figures that show the changes from 1900 to 1922 to 1949, and the percentage of students enrolled in the schools who take a particular subject. Now, English has gone up sharply—these are high school figures: 38.5 in 1900, 76.7 in 1922 and 92.9 in 1949. United States and English history: In 1900 it was 38, in 1922 it was 18 and in 1949 it was 22. General science has gone from 18 in 1922 up to 20 now.

Q These are not compulsory courses, are they? These are electives?

A Yes. One reason for the changes is that the number of courses is greater and there are more courses which are electives. You'll see that as you get down here in industrial arts, and all that sort of thing.

Now, here's one that bothers people like Jim Killian.

Not enough youngsters take mathematics. Unless they have a reasonable amount of mathematics in secondary schools, they are poor prospects for M. I. T. [Massachusetts Institute of Technology] and the scientific schools.

You're all familiar with the statement that's going around pretty freely that Russia is now graduating more scientists and engineers than the United States colleges and universities are. Jim Killian of M. I. T. is one of our committeemen, and I'm sure that one of the reasons he accepted appointment to the committee is that he's got to be concerned about the quality of secondary-school education, because, unless the quality of secondary-school education steps up, he isn't going to have what he needs to build on. Well, 56 took algebra in 1900, 40 in 1922 and 27 in '49.

Here are figures which are disturbing to the people who believe in the cultural subjects. Latin: 50 in 1900, 27 in 1922, 8 in 1949. French: 8 in 1900, up to 15 in '22 and now down to 5.

Q What about other foreign languages?

A Spanish came in at 11 in 1922 and went down to 8 in '49. Industrial subjects went from 14 per cent in '22 up to 27 per cent in '49.

Q That's vocational schools?

A Vocational schools, or some limited industrial subjects that can be taken in the general high school.

Q Is there anything on the study of government?

A Not as such. Some other figures: Physical education goes from 5 to 69. Well, that's probably compulsory.

Music: 25 per cent up to 30 per cent.

Q Does that mean that more youngsters in high school take music than take algebra, percentagewise?

A In certain grades of high school you may have a compulsory course in music.

Q Take your study of the Southern schools. Is the question of integration going to complicate your problem of studying those schools and appraising their capacity, and so on?

A Here's what we think about that. At our first meeting, the group approved a position we would take on that, and I would like to read that to you. This is what the committee for the conference approved as our policy at this stage:

"The committee recognizes the importance of the problem of segregation of races within the public schools in some areas of our country. It also recognizes, however, that this problem, important as it is, now is in the hands of the Supreme Court of the United States for final adjudication. The committee, therefore, considers that it would be inappropriate for it to concern itself directly with the question at this time."

Now, if between now and the time the conference is held the Supreme Court comes up with its bill of particulars on how this problem is to be handled, then, it seems to us, all that that does in the State that is concerned is to add another problem of school construction and of school cost of operation in that State over and above the problem that is already there because of the increasing numbers. So, as far as we're concerned, it's just another factor which complicates the local problem where it is a problem—but that's all.

SECONDARY-SCHOOL NEEDS—

Q You've given us some figures on the needs of colleges for the next 20 years or so. Can you give us those for the secondary and elementary schools?

A Yes, roughly. My previous figure was between 1954 and 1970—that was the doubling in the colleges. This is from 1954 to 1965, about a 10-year swing. There will be about 40 per cent more pupils in the elementary and secondary schools in 1965 than there are in 1954. That is combined. There will be about one third more in the elementary-school ages and about 60 per cent more in the secondary schools.

Q Then that is going to create a problem for the high schools—

A Yes. You see, it's a wave. You've got the first impact now in your elementary schools. It's a wave that's complicated by the thing that I've tried to describe, this increased staying power, which comes about with an increased standard of living.

Q What about schoolteachers' salaries—how do they average, compared with the other segments of the population?

A They are low, and it's one of the things we will take up.

Q Do you have figures on that?

A We have figures, but, again, it is from this study. The study is roughly thinking in these terms: that, in all probability, in order to attract the number of people to the teaching profession we are going to be needing—and this is assuming a quality standard of teaching, also—something in the range of a 50 per cent increase in the over-all operating costs of our school, which of course, includes teachers' salaries, will have to be assumed.

Q For what length of time—right now?

A Within this period.

Q Is this 50 per cent increase on just the present salary scales?

A You would be adding numbers as well.

Q What is the average pay of a high-school teacher?

(Continued on next page)

. . . "Less resistance by business to taxation for education"

A Right now it is about $3,200. That's a nation-wide average.

Q And within that average there is a very, very wide range, isn't there?

A There'll be a range, perhaps, from $1,400 to $7,500.

Q Does that include elementary school?

A This is for high school. This discussion of the method of public education in the decade ahead, this '54 to '65 period that we've been talking about, is an interesting rationalization of the fact that the money is there—the people have just got to say that they want to use it for this purpose. And it goes in this way—and to me it's an interesting way of making the statement.

Our economists say you can figure on somewhere around 360 billion dollars of gross national product, produced by this country in 1954. It's now being projected that by a decade from now, or let's say 1965, it will be 525 billion dollars. 525 billion dollars against 360 billion dollars is 165 billion dollars additional money.

It is suggested here that if the step-up that is probably needed to attract and hold the quality of teaching talent that we need for this program is done, there will need to be an additional 10 billion dollars added to the budgets of these schools. Then the comparison is made of the 10 billion dollars against the 165 billion of added output by our people's efforts, and that leaves plenty of room for the stepping up of the standards of living of the people after providing improved education for our increased numbers of school children.

TAX RAISE NECESSARY?—

Q This is 10 billion dollars a year?

A Ten billion dollars a year extra. If this strikes you as it does me, it then becomes very readily apparent that the thing that is needed is not to say: "Can we afford it?" You can afford it! The question is: "Do you want to do it?"

Q This means increases in property taxes all over the country, doesn't it?

A It could be income taxes. You see, States all over the country are using the income taxes as a tax mechanism.

Q And the sales tax?

A Yes. The sales tax in the State of Ohio and elsewhere has turned out to be a very good kind of a tax for raising money, because, with an advance in the standard of living, it has automatically brought an increase in revenue.

Q Would your study be broad enough to cover possible revenue sources for support of public schools?

A Yes. And we're counting very heavily on Frank Moore to be the man to do that. He will be the head of that subcommittee.

Q Are the local conferences starting right now?

A They'll have to start soon—that is, in '55 before the White House Conference—because the whole thinking is that they are to be fostered and sponsored as a build-up culminating in the White House Conference.

Q Do you find that each State will bring a survey of its own needs and problems to lay before the national conference?

A Well, not to lay before the national conference. What we will ask them to do before that—and this is provided in the legislation which authorizes granting money to the States—is to make a report to the White House Conference, and we are suggesting the form in which that report should be made. These reports can then, we hope, be of such a nature that the information can be collected and integrated for the consideration of the subcommittees in our own work for the White House Conference programing. But I don't see that the people who come in will simply lay out a program for their State. They are almost sure to talk about what the conclusions have been in their own States in their small groups. I think they should and I hope they will. But that will only be a part of the contribution that they can make to the discussion.

Q Are there many businessmen throughout the country who are taking an interest in this subject?

A I think an increasing number.

HOW EDUCATION AIDS BUSINESS—

Q Well, what about in the communities—do they have this interest in their communities?

A I think so. You see, this problem is so big, and it has been pushed at people so much as being so big, that the good people in business, in my opinion, are paying attention to it. They know—just as I think all of us around this table know, and the reason I happen to be in this thing is because I believe it—that unless a good quality of education is offered to the young minds of this country, business itself has a substantial loss to sustain. It has a loss to sustain in the quality of the people that they are training to be their executives. Also, as both the National Association of Manufacturers and the U. S. Chamber of Commerce have shown, the higher the grade of education, the greater the consumption rate of products—which is of obvious interest to all business.

Q Didn't the U. S. Chamber of Commerce recently go so far as to put out a pamphlet encouraging businessmen to promote taxes for schools?

A Yes. It's a great change. But the problem is accepted as of really major importance.

Q Does that include only corporation taxes or does that include income taxes also?

A I would say, in my opinion—and I strongly believe it—you have a great deal less resistance on the part of business to taxation for this purpose than you do on the part of individuals. I think business will make sense out of this in a hurry.

Q The general pattern of White House conferences on special topics in the past have been that they chiefly served the purpose to provide publicity and set up sort of a springboard for federal legislation. Would you say that that is the primary purpose of this one—to get through some federal aid to education law?

A We don't think of it as such. Now, people with different viewpoints in this field think of it in two ways. One group thinks of it as a delayer or a kind of blind alley for the federal aid that they think should be distributed quickly.

The other people think that the conference is for the purpose of developing a public interest and a public support for a federal aid program. We think of it as neither. We think of it as a conference which genuinely has the desire to develop and assemble the factual material that bears on these six basic problems that education faces. We believe that the people that we have can think objectively on these things and can come out with what seem to be conclusions indicated by fact. Now, if we are that kind of people, then we won't do either of the things of which we are being accused.

Trend of American Business®

24th and N Streets, N.W.
Washington, D.C.

Strength of the building boom is becoming a cause of some concern.

A saturated housing market is viewed officially as a possibility. That's what Albert M. Cole, Housing and Home Finance Administrator, told Congress.

Mortgage lenders are warned that the housing boom can't go on forever.

Yet there's no tangible evidence of any slackened demand for new homes.

Home-loan applications to the Veterans' Administration topped 104,000 in February--highest monthly total since October, 1950.

Contract awards for new homes also are running ahead of a year ago.

Housing starts for the first two months of the year were at a rate, seasonally adjusted, of 1.4 million dwelling units a year.

There seems to be little doubt that home building this year will top 1 million units for the seventh successive year.

This sustained demand for homes is surprising some analysts. Construction is running well ahead of the number of new families now being formed each year. It's the drop in marriages that might soften demand for homes.

But there are offsetting factors in the housing outlook.

Home ownership is now an accepted goal of most families.

Moves to suburbs are continuing, adding to housing demand in those areas.

Population shifts to the West and South and from farm to city also add to the demand for housing. This trend is continuing.

Older couples and single adults tend more and more to set up their own households, rather than live with relatives.

Number of large families, with three or four children, is increasing, and these families desire more room, larger houses.

Finally, housing-credit terms are easy. It's just about as cheap to pay monthly mortgage installments as to pay rent.

What's lacking in the housing picture is adequate figures on vacancies. Census Bureau now is checking on this. Meanwhile, Government officials and real estate boards report no serious complaints about vacancies.

A major reason for the building boom and generally rising activity in business is that people now are pretty well off.

Take a look at this income analysis from Commerce Department.....

Family income has increased 50 per cent since 1947. Families with less than $4,000 a year have declined by 20 per cent since 1947. Families with more than $4,000 a year have increased by 70 per cent.

Since 1929, average family purchasing power has climbed by 30 per cent.

The number of families with more than $10,000 a year has doubled since

(over)

1947. Total income for this group has gone from 36 billions to 70 billions.

To look a bit deeper into family income figures.....

More than half of nonfarm families--54 per cent--get $5,000 or more.

Average income of nonfarm families is $6,390.

Farm families average $3,460 a year.

Individuals, living alone, average $2,630 a year.

Nonfarm families form by far the largest group--35.6 million households. Farm families number 5.5 million; individuals, 9.4 million.

These figures are for 1953, but Commerce Department says that incomes did not change much in 1954. They show that the United States has gone a long way toward abolishing poverty. That explains high consumer demand.

Rising business activity is accompanied, as usual, by more borrowing.

Business loans made by commercial banks are rising. Gains since the first of the year, reported by Federal Reserve Board, is 208 million dollars. That's for banks that make weekly reports to the Board.

A year ago loans were declining. In the same period of 1954, loans to business dipped by 441 millions.

Manufacturing firms show substantial increases in loans in textiles, leather, metals and metal products, petroleum, chemicals, rubber.

Increased borrowing is shown over a year ago for construction firms and sales-finance companies.

Real estate loans also show a sizable increase over a year ago.

Loans to consumers are higher since the first of the year. Last year at this time, consumer loans by banks were declining.

Loan volume reflects the need of business for money because of bigger payrolls, heavier purchases of materials, other business operations.

Federal Reserve Board, however, is not inclined to increase the supply of credit. The Board has not added to bank reserves, by securities purchases, for four weeks. Result is that "free reserves" of member banks fell to 130 millions. It's the free reserves that determine the capacity to make new loans.

Farm production, given average growing weather, will be about as large this year as it was in 1954. Farmers plan to till 353.5 million acres, against 354.1 million acres planted last year. Dip is only 0.2 per cent.

Cuts in acreage are planned for wheat, rice, flax, tobacco, peanuts, and sugar beets. Some of these reductions are ordered by the Government.

Increased plantings are indicated for barley, soybeans, sorghums.

Acreage planted to corn will be about as large as last year.

Hay acreage is expected to expand, too.

Signs are that feed crops will be large again this year. Surpluses in wheat and cotton will persist, despite reduced planting in these crops.

Planting intentions of farmers threaten still lower prices for most crops, since Government has reduced support prices for many commodities.

Consumer prices have been steady for three straight months. The increase in business activity is not showing up in the retail-price level.

Our Way of Life . . .

This nation is proud of its heritage and its achievements — proud of the highest standard of living the world has ever known.

But we are most proud of something that dwarfs our vast material gains . . . something that is priceless in a confused world.

In our nation of 160 million, we have 294,359 churches — and 40,947 of these have been built since the end of World War II. In nine years, our church membership has grown from 72,492,000 to 95,681,000 — a gain of 23 millions.

Since World War II, the Bible has sold more than 1 million copies every year, and in 1953 sales reached about 1½ million. In countless other ways, there's evidence that the people of the United States are seeking spiritual faith in ever-growing numbers. Such spiritual growth is the necessary foundation for survival of freedom in any land.

There is comfort, reassurance and hope in this course the American Way of Life is taking.

Norfolk and Western Railway

AFTER 45 IT'S HARD TO GET A JOB

Too Young for Pensions, Workers Growing Bitter

More and more people who are too young to retire are being told they are too old to get jobs in business and industry.

Some employers are setting rather rigid age limits. They blame higher costs of pensions, insurance for older workers.

Meanwhile, U. S. population is getting steadily older.

New jobs are becoming harder to get for a man after he reaches 45, or for a woman past the age of 35.

That is the verdict of Government officials, members of Congress and employers—and of the older job seekers. The latter report they are being told, over and over again, that they are "too old" for the jobs they want.

Many of these people are writing to the U. S. Department of Labor or to their Congressmen. A good many of them say they have skill and experience. Some have been out of work for a long time. They are too young to have pensions or old-age benefits. Some of the writers are bitter.

Blame for the situation, both officials and workers say, is often placed on the pension and insurance programs which most companies have nowadays.

Employers frequently are quoted as saying that their pension or insurance costs will go up if they take on older people when vacancies occur.

In other cases, employers are said to believe that older workers on new jobs adapt themselves more slowly than younger people, produce less, are more likely to get sick or hurt.

As a result, a good many firms don't want to hire men over 45, or even over 40. The rule for many, according to Government officials, is not to employ women after they reach 35.

About 60 per cent of the jobs listed in newspaper advertisements and in employment offices, according to a spot check by Government officials, were found to restrict hiring to these limits, or even to lower age brackets.

Older group growing. Officials say the problem assumes long-range importance because U. S. population is aging.

For example, while the nation's total population has doubled since 1900, the age group from 45 to 64 has tripled. The number of persons over 64 has quadrupled.

Other figures show that one third of the country's working force is now over 45; by 1975, about half the population of voting age will be past 45.

Moreover, as the chart on this page shows, older workers make up 29 per cent of the country's unemployed, get only 18 per cent of the jobs that become available.

What the Government reports show in cold figures becomes more personal when the older job hunters write to their Congressmen or to the Labor Department. Some of the letters report:

A university graduate, age 45, with a degree in chemistry, says that he has had many years of diversified experience in

WHAT HAPPENS WHEN OLDER WORKERS LOSE JOBS

In a recent month, there were **2.8 million unemployed.**

Of these — **2 million were 45 and under**
800,000 were 46 and older

In the same month, **426,400 unemployed workers found jobs.**

Of these — **349,600 were 45 and under**
76,800 were 46 and older

WHICH MEANS THAT—

Older workers make up

29%

of total unemployment

BUT:

Older workers get only

18%

of new jobs that open up

Source: Labor Department

© 1955, By U. S. News Pub. Corp.

various industries. "But I'm told I cannot get a job because of age."

An Ohio coal miner, out of work since the mine where he was employed closed down last summer, puts it this way: "Men who had over 30 years in the mine are out of jobs. They are mostly over 50 . . . Everything you own is here. Your home often is your only savings. You are over aged; too old to work, too young to draw a pension and too human to shoot."

A Michigan farmer, age 57, reports that he has worked many years in a nearby plant, in addition to operating his farm. The plant closed down. He writes that other shops will not hire him because, they report, their insurance and pension plans will not allow them to hire anyone over 45.

Man asks: "Firing squad?" Another writes: "I am a man in my late 50s. I wonder if the Government couldn't organize a firing squad to get rid of all of us in my age group. It would be more humane than to let us starve. A man, after 45 years of age, can't get work and he is too young to draw a pension."

From Detroit, a 60-year-old man reports that he lost his job after his employer shifted production to another city. The man had 40 years of experience as operator of turret lathes and automatic-screw machines in an auto plant. "Factories in Detroit just won't hire a man over 40 years of age," he writes.

Employers, another man writes, claim they cannot hire him—at age 48—because of their workmen's compensation insurance. He is told that the cost of the State insurance goes up if the firm hires older workers.

Some employment offices "won't even give you an application blank to fill out when they find out you are above 45," another man writes. At age 63, he has 40 years of experience as production manager for a printing firm.

A man of 47, with a wife of the same age, reports: "Neither of us has been able to get work since August, 1954. When they see what our age is, they tell us there isn't anything for us; they are looking for younger people."

These are only a few of the complaints that are being received in Washington. Many letters are sent to Senator Charles E. Potter (Rep.), of Michigan, because he is heading up a drive for creation of a special commission to study problems of the older workers.

Mr. Potter and 55 other Senators are sponsoring a bill to set up a "United States Commission on the Aging and Aged." Members would be appointed by the President and by congressional leaders.

Reduced efficiency cited. What such a commission is likely to discover on the older workers' job problem is indicated by a preliminary study made by the University of Michigan's Institute for Hu-

(Continued on page 90)

There's room to relax in uncrowded

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...Group life insurance, one study reports, increases in cost with age, but only slightly

man Adjustment, at the request of Senator Potter.

Employer objections to hiring older persons, this study finds, include the idea that age is a measure of reduced job efficiency and increased cost to the employer. The report, by the Division of Gerontology, headed by Wilma Donahue, added:

"Employers maintain that hiring older workers increases insurance and pension costs; that older workers have lower productivity, less adaptability, higher sickness, accident and injury rates, and more absenteeism than younger workers."

On pension costs, the report states: "Age of the worker is an important factor in determining the cost of pensions to a company because specified amounts of money must be set aside to pay the pension whether the employe comes under the plan at age 30, 40, 50 or later.

"The older the worker at the time he comes under the plan, the less time there is to accumulate the fund required and the less time there is for the fund to earn interest and thereby reduce costs.

"Pension plans need not deter the employment of older workers because benefits can be varied in accordance with years of service, or by excluding short-term workers from benefits."

Effect on insurance. Cost of group life insurance, the report says, is directly related to age, but use of a group average in computing costs reduces the effect of any single worker's age. Also, on a $3,000 policy for an older worker, gross cost is $2.25 a month, or "less than 2 cents an hour more than the cost for a worker age 30."

For workmen's compensation, the insurance rates are based on the actual frequency and severity of industrial accidents and diseases, the report continues. "Accident rates tend to decrease with age, hence the employer might consider it desirable to discriminate in favor of older workers."

Employers, the study finds, pay for group policies of accident and health insurance on the basis of the accident and sickness rates of the group of workers, rather than on their ages.

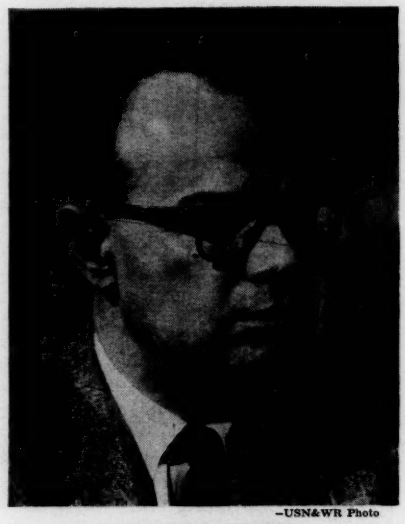
"Since morbidity rates increase with age, group accident and health-insurance costs are increased by hiring persons in the older age brackets," the report adds. "These costs can be offset, however, by eliminating the poorest risks through a prehiring medical examination.

"Also, in those plans which extend benefits to dependents, lower costs can be anticipated because older workers have fewer of them."

The report cites studies that indicate "older workers may suffer in comparison with younger workers when speed is the deciding factor in productivity, but they tend to excel over younger workers when skill, accuracy and judgment are deciding factors."

Older workers, Senator Potter also was told, tend to be injured less frequently than younger workers, but, when older workers are injured, they suffer more deaths and permanent injuries, they take longer to get well. The survey also states that the rate of absenteeism decreases as age increases.

Cost of pension plans. The Labor Department is asking Congress for funds to finance additional studies on this problem of the older workers. A special committee has been set up in the Labor Department to direct the investigation. One of the big questions is what effect pension plans have on the job situation.



–USN&WR Photo

SENATOR POTTER

. . . a commission to study "the aging"?

The "essence of the problem" as seen by Arthur Larson, Under Secretary of Labor, is that an employer with a private pension system has to pay more into his pension fund when he gives a job to an older worker. He says it may cost the employer $5,000 in back "credits" to put a 60-year-old man to work under the program.

A spokesman for the insurance companies denies, however, that pension plans are making it harder for older workers to get jobs.

"I've watched this thing for many

(Continued on page 91)

...Pensions don't affect hiring, says insurance man

years," Edwin C. McDonald, vice president of Metropolitan Life Insurance Company, says. "It is a question of the business cycle. If a lot of workers are available, employers tend to hire the younger ones. Long before pensions became popular, there was just as much reluctance to hire older workers as there is now. It has nothing to do with pension costs."

Many Pay Raises Of 4 to 9 Cents

Wage showdowns are only weeks away in some big industries, but many employers are signing new wage agreements without waiting for a pattern to emerge from those disputes.

Pay raises now being granted are running, generally, from 4 through 9 cents an hour, with a few larger and a few smaller. There is a decline from last year in the number of settlements in which unions do not win raises.

Long-term agreements do not seem to be as popular as in recent years. Unions are favoring one-year contracts in most instances.

Examples of recent settlements show the trend:

The glass-container industry and AFL's Glass Bottle Blowers have agreed on a raise of 5 cents an hour for 8,000 employes in 38 companies.

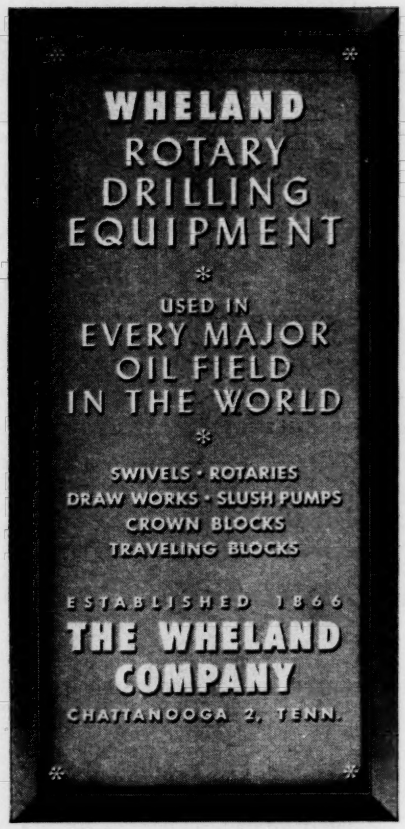
A raise of 4 per cent, offered by Standard Oil Company of Indiana, was accepted by independent unions that represent 6,500 plant employes and 400 office workers. A minimum raise of 10 cents an hour goes to plant employes; a minimum increase of $17.50 a month for white-collar workers.

Ground-crew employes of five airlines are getting raises of 5 to 7 cents an hour as the result of an agreement signed by AFL Machinists and the lines.

American Airlines and CIO's Transport Workers have agreed to raises of 5 to 9 cents an hour for about 6,000 workers.

McDonnell Aircraft Corporation and AFL's Machinists have negotiated a raise of 3 per cent, averaging 6 cents an hour, for 8,300 workers.

A three weeks' strike ended at three plants of American Locomotive Company with acceptance of a company offer of a 5-cent raise and increased pension and insurance benefits. The strike, affecting 3,500 workers, was called by the CIO's Steelworkers.



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FORMER AEC COUNSEL EXPLAINS WHY OPPENHEIMER WAS OUSTED

How could Dr. J. Robert Oppenheimer, atomic scientist, be ruled a security risk without being found to be disloyal?

The answer is given here. It comes from Roger Robb, counsel of the Atomic Energy Commission's Personnel Security Board when it conducted the Oppenheimer hearing.

Disloyalty, Mr. Robb points out, is not the only ground for disqualification.

Character and associations, he says, must also be taken into consideration.

In this address, Mr. Robb explains the evidence and the reasoning that led to the verdict against Dr. Oppenheimer.

Following is full text of an address by Roger Robb at Amherst College, Amherst, Mass., on March 14, 1955:

I am glad to talk with you about security criteria and their application to the case of Dr. Oppenheimer. Both are important subjects and both I am afraid have been somewhat obscured by the clouds of emotion and heated argument.

Let me make it plain at the outset that everything I may tell you about the facts in the Oppenheimer case will be taken from the record made before the Personnel Security Board—called the Gray Board after its Chairman, Gordon Gray—and before the Atomic Energy Commission. There is no mystery about this case, but the record is plain for all to read.

Let me say also that I do not propose to discuss the procedural aspects of security hearings. That is another subject and one too large to be covered in the time we have at our disposal. I may say in passing however that in this case there was a hearing at which Dr. Oppenheimer was present and represented by counsel, who examined and cross-examined all of the many witnesses.

Now the problem of security is not new, it is as old as our Government. You will recall that George Washington had security difficulties with one of his best and most trusted generals, a man whom he had befriended, the hero of Saratoga, Benedict Arnold. Many years later in our Civil War, General Lee's army came close to disaster because through the carelessness of a staff officer, four days before Antietam, a copy of Lee's orders for the disposition and movement of his forces fell into the hands of the Union Army.

Other examples of the security problem in the past will no doubt occur to you. At the same time, you will probably remark that like the ones I have mentioned they all have to do with the military. The reason for this is obvious: In the past the defense and security of our country were almost exclusively in the hands of the military. Wars were fought by opposing armies and navies, equipped with similar if not identical weapons. Intelligence and espionage were concerned largely with the strength and movements of opposing forces in the field. By and large, information about such matters could be closely held and guarded by commanding generals and their immediate staffs.

Today, however, the situation has completely changed. The machinery of defense and of warfare is a vast and complex mechanism. For example, we are in bitter competition with our enemies in the development and production of atomic and hydrogen weapons, guided missiles, aircraft and electronic devices. We are carrying on a "cold war," not on a battlefield, but in the fields of economics, propaganda and diplomacy. Our military forces are enormous and spread throughout the world. General Lee's battle of Chancellorsville was planned by him and Stonewall Jackson beside a campfire in the Wilderness, and executed by Jackson within 18 hours. How much time do you think it took, and how many people do you think were required, to plan the invasion of Normandy? In short, the defense and security of our country are now in the hands of thousands of people—clerks, technicians, scientists, economists, even lawyers. Every one of those people has some information that would be of value to our enemies. Perhaps the information is only a fragment, which by itself seems quite unimportant. But espionage solves puzzles by sifting and combining many fragments.

Now it hardly needs to be said that the Communists are constantly seeking for information about the secrets of our national defense. To that end they are attempting to infiltrate every department and agency of our Government. In the past they have enjoyed considerable success in this endeavor. For example, you will recall the cases of Alger Hiss, in the Department of State, Harry Dexter White, the economist in the Treasury Department, the scientist Klaus Fuchs, the Rosenbergs, Judith Coplon of the Department of Justice, and others.

Security criteria or standards must be devised and applied to meet this danger that valuable information will leak to our enemies. The question is, what should the criteria be? What standards will protect our country, and at the same time be reasonable and fair to the individuals involved?

Security means freedom from risk or danger. This definition is important, for if you reflect upon it you will understand one of the fundamental principles that underlies a security system. That principle is this: Since a decision in a security case has to do with risk or danger—the chance of harm to come—it necessarily looks to the future. It is prospective, an opinion or prediction as to future conduct. In the language of the medical profession, it is a prognosis. It is not a judgment or conviction for past misdeeds; such a judgment is the business of the criminal law under appropriate statutes.

When once we recognize this fundamental truth, we realize that no security system or criteria can be devised which will

enable us to demonstrate with certainty that the employment of any man will involve danger or risk to our Government. Future conduct and events can never be the subject of present proof. We can only give an honest opinion as to the future, upon the basis of the information at hand about the present and the past, a careful prognosis upon the basis of observed symptoms. Our criteria therefore can only serve to indicate what information, what symptoms, may constitute a reasonable ground for an opinion.

The Atomic Energy Act of 1946 set up security criteria for individuals engaged in the work of the Commission. That Act provided, and as amended still provides, that no individual may engage in the work of the Atomic Energy Commission unless the Commission determines, upon the basis of "the character, associations, and loyalty of such individual . . . that permitting such person to have access to restricted data will not endanger the common defense and security."

—Harris & Ewing

ROGER ROBB

The fundamental standards or criteria established by the statute, therefore, are *character, associations and loyalty*. To assist the responsible officers of the Commission in applying the standards of the Act, the Commission has published its own criteria. In its criteria the Commission has indicated questions about an individual which should be answered in forming an opinion as to his character, his associations and his loyalty. Has he committed or attempted to commit espionage or associated himself closely with espionage agents? Has he belonged to the Communist Party or any other subversive organization? Has he advocated revolution by force or violence? Has he established a sympathetic as distinguished from a chance or casual association with members of the Communist Party? Has he shown a proper regard for the requirements of security? Is he mentally unstable, or an alcoholic or drug addict? Is he in any way subject to blackmail? Has he ever been convicted of a serious crime? Is he honest, trustworthy and reliable?

As the majority opinion of the Commission in the Oppenheimer case pointed out, it is important to note that, under these criteria, disloyalty is only one basis for disqualification. Substantial defects of character and imprudent and dangerous associations are also reasons for disqualification. In other words, Congress and the Commission have said that even though there may be no evidence that a man is disloyal, he may be so lacking in character, or so closely associated and deeply involved with the enemies of our Government, that it is unsafe to rely upon his conduct in the future. This rule is founded in common sense and the experience of mankind. If you will read the tragic story of Benedict Arnold, for example, you must conclude that his downfall was caused by two things: First, his lack of character, and, second, the blandishments of the fellow travelers of his day, the Tories. Lest anyone misunderstand me, let me make it plain that I am using Arnold merely as an illustration; I am *not* comparing him to Dr. Oppenheimer.

In the judgment of the Congress and of the responsible officials of the Commission, no man who fails to measure up to these standards should engage in the work of the Commission. Since it began its operations in 1947, the Commission has applied these standards in granting or denying security clearance to some 500,000 individuals, employes of the Commission or of its contractors, or applicants for employment. In those thousands of cases the Commission has found that its security criteria are practical, workable, fair to the employes concerned, and acceptable to them. Incidentally, security clearance was denied in only 494 cases. As recently as last January the scientists in charge of all of the Atomic Energy Commission's laboratories expressed their satisfaction with the criteria. My own opinion is that the criteria are fair, reasonable and practical.

In considering the fairness of the Atomic Energy Commission's criteria, it is interesting to note that under the Civil Service law which has been in force since 1912 an employe of the Civil Service may be removed or suspended without pay "for such cause as will promote the efficiency of such service." I have heard no complaint that this statute is unfair, or does not set up adequate standards. On the contrary, millions of Government employes have lived and flourished under it for over 40 years.

Let me say a word about the criterion of "associations." There has been much talk about "guilt by association" and some commentators have expressed the view that this is altogether an evil notion. But if you were president of a bank and you found that your cashier spent his afternoons at the racetrack and his evenings in the company of gamblers, thieves and safecrackers, I am sure you would look for a new cashier. You would not wait for proof that he had cracked a safe or embezzled a deposit. Why? Because common sense and experience tell us that a banker who conducts himself in that way, and associates with such people, is likely to become involved in serious difficulties and is simply not a good risk. You would not entrust your money or your depositors' money to such a man.

As a banker, you would also apply the criterion of character to your employes. You would not keep a cashier who lied to you and deceived you about the state of his accounts or other important affairs of the bank. Why? Because you simply could not trust a man who suffered from such a fundamental defect of character.

The case of Dr. Oppenheimer was considered by nine responsible officials—the three members of the Gray Board, and the general manager and five members of the Commission. Seven of these men—two members of the Board, the general manager and four Commissioners—found that Dr. Oppenheimer was not qualified for security clearance. In other words, it was their honest opinion that his continued employment would involve risk and danger. Now let us see what there was in the record to support that conclusion.

In the first place, the Commission found that there was proof of fundamental defects in Dr. Oppenheimer's character. There is not time to tell you about all of the evidence on this point. Probably the most important evidence, however, was the so-called Haakon Chevalier incident. That incident is worth discussing in some detail.

During 1942 and 1943 work on the atomic bomb was carried on in the laboratories of the University of California at Berkeley. Dr. Oppenheimer lived at Berkeley and took part in this work. Early in 1943 he became director of the great laboratory at Los Alamos. In March, 1943, Army Intelligence officers discovered that a Russian espionage ring, headed by a man named Steve Nelson, had penetrated the

. . . "Dr. Oppenheimer's statements do not jibe"

Berkeley laboratory. An investigation was begun under the direction of Colonel Pash.

Dr. Oppenheimer was aware of this investigation. In August, 1943, he remarked to an Intelligence officer that a man named Eltenton would bear watching. Colonel Pash immediately interviewed Dr. Oppenheimer in connection with this remark. Dr. Oppenheimer told Colonel Pash that some five or six months previously Eltenton, a chemical engineer who had spent some years in Russia, had attempted through a University of California professor to obtain information about the work of the Berkeley laboratory. Oppenheimer said the professor had approached three men employed on the atomic-bomb project and had told them that Eltenton had good contacts with a man from the Russian consulate who was experienced in microfilm work and who could transmit to Russia any information they might give to Eltenton.

Dr. Oppenheimer said the professor had approached the three men separately—there were three different approaches. Pash asked for the name of the professor. Oppenheimer refused to give it. Some three weeks later, Dr. Oppenheimer was interviewed by another Intelligence officer, Colonel Lansdale, told him the same story and again refused to name the professor. Finally, in December, 1943, after repeated urgings, Dr. Oppenheimer identified the professor as Haakon Chevalier. Chevalier was a professor of French, a friend and associate of Dr. Oppenheimer. He has been identified as a Communist and Dr. Oppenheimer admits he was at least a fellow traveler.

In his written statement to the Gray Board, which he swore was the truth, Dr. Oppenheimer said: ". . . my friend Haakon Chevalier with his wife visited us on Eagle Hill, probably in early 1943. During that visit, he came into the kitchen and told me that George Eltenton had spoken to him of the possibility of transmitting technical information to Soviet scientists. I made some strong remark to the effect that this sounded terribly wrong to me. The discussion ended there."

Two Differing Versions

Now it is apparent that this statement to the Gray Board does not jibe with Dr. Oppenheimer's statement to Colonel Pash and Colonel Lansdale. The story given to Pash and Lansdale indicated that Chevalier was deeply and consciously involved in a criminal conspiracy to commit espionage; the statement to the Gray Board on the other hand suggested no such involvement, but mentioned only a casual and innocent remark by Chevalier. When he testified before the Gray Board, Dr. Oppenheimer was asked about this conflict between the two statements. Let me read you what he said:

Q Now let us go back to your interview with Colonel Pash. Did you tell Pash the truth about this thing?
A No.
Q You lied to him?
A Yes.

• • •

Q Why did you do that, Doctor?
A Because I was an idiot.
Q Let us move along to your interview with Colonel Lansdale on September 12.
A Right.
Q Did you tell him substantially the same story you told Colonel Pash?

• • •

A I did not modify it.
Q You affirmed it as the truth?
A Yes.
Q So you lied to him, too?
A That is right.
Q . . . Don't you think you told a story in great detail that was fabricated?
A I certainly did.
Q Why did you go into such great circumstantial detail about this thing if you were telling a cock-and-bull story?
A I fear that this whole thing is a piece of idiocy. I am afraid I can't explain why there was a consul, why there was microfilm, why there were three people on the project, why two of them were at Los Alamos. All of them seem wholly false to me.
Q You will agree, would you not, sir, that if the story you told to Colonel Pash was true, it made things look very bad for Mr. Chevalier?
A For anyone involved in it, yes, sir.
Q Including [redacted]
A Right.
Q Isn't it a fact today, Dr. Oppenheimer, that according to your testimony now you told not one lie to Colonel Pash, but a whole fabrication and tissue of lies?
A Right.
Q In great circumstantial detail, is that correct?
A Right.

Which Account Was True?

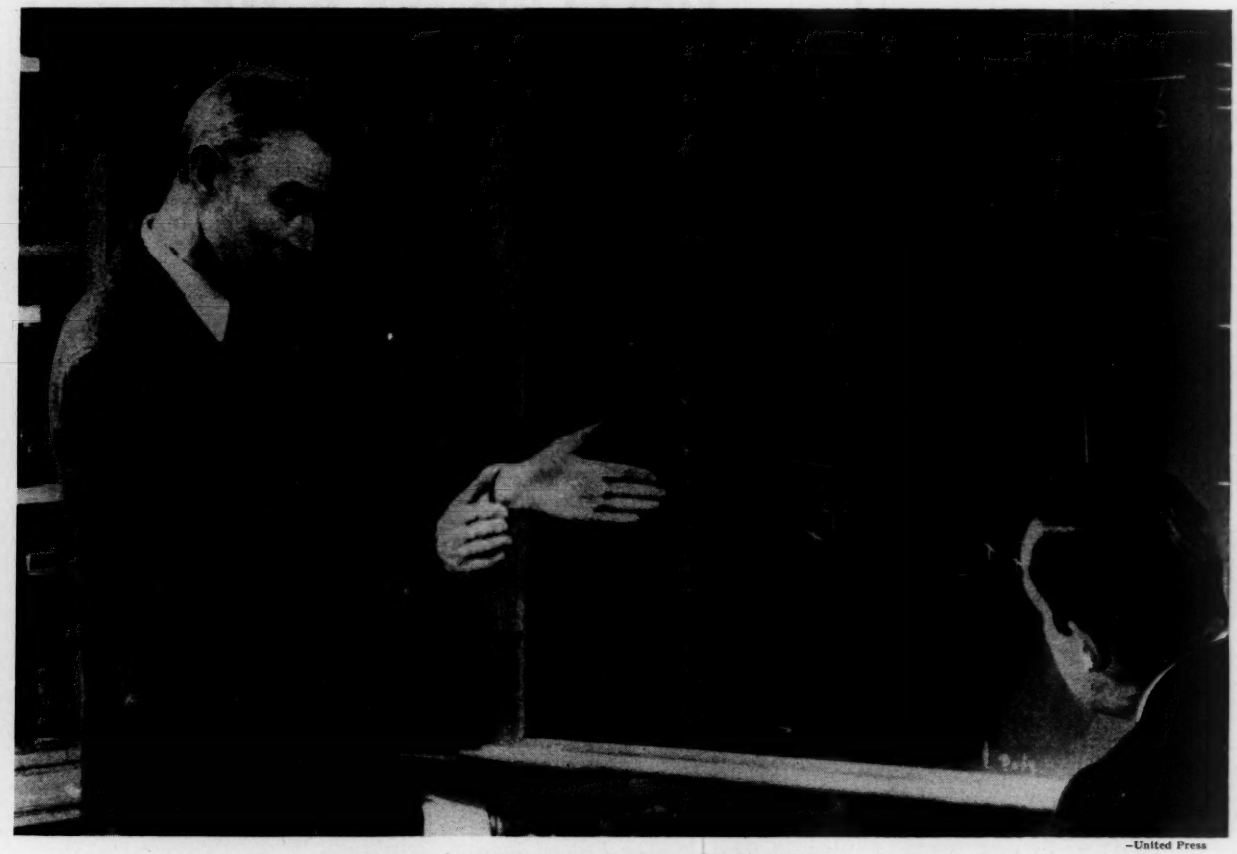
If Dr. Oppenheimer lied to Colonel Pash, as he now says he did, he committed the crime of knowingly making false and material statements to a federal officer. For such an offense he could have been indicted, convicted and sent to the penitentiary.

On the other hand, the Commission found that it is by no means clear today whether the account Dr. Oppenheimer gave to Colonel Pash or the story he told the Gray Board is the truth. In other words, the Commission was not satisfied that Dr. Oppenheimer did not commit perjury before the Gray Board. I may add that Colonel Pash testified before the Gray Board that in his opinion, for reasons which he explained, the story Dr. Oppenheimer told him was probably the true story. This was also the opinion of the general manager of the Commission.

In considering Dr. Oppenheimer's conduct in this matter you must remember also that in his testimony under oath before the Gray Board, Dr. Oppenheimer admitted that he knew that his refusal to name Chevalier—a refusal in which he persisted for months—was impeding Colonel Pash in the prosecution of his investigation. Bear in mind also that this was not an investigation to determine who threw a baseball through the dean's window; Colonel Pash was attempting to uncover a sinister and deadly espionage ring.

In the light of these admissions by Dr. Oppenheimer, can it be said that the Commission was unreasonable in concluding that Dr. Oppenheimer was not trustworthy? Was the Commission unreasonable in finding that Dr. Oppenheimer did not measure up to the high standard of character that must be met by those to whom the most vital secrets of our defense are entrusted?

Let us now see what the record shows with respect to Dr. Oppenheimer's associations. He himself testified that from



—United Press

DR. OPPENHEIMER IN HIS OFFICE AT PRINCETON, N. J.
Mr. Robb: "Seven of the nine responsible men . . . concluded that his continued employment involved risk"

1937 until early 1942 he was a fellow traveler of the Communist Party. Mark well that date—1942—and remember that Nazi Germany and Russia became allies in 1939. Dr. Oppenheimer said that during that period—1937 until 1942—he contributed between $500 and $1,000 a year in cash, direct to functionaries of the Communist Party. He admitted that he attended small evening meetings at private homes at which most, if not all, of the others present were Communist Party members. One such meeting was held at the home of Dr. Oppenheimer's friend Haakon Chevalier and was addressed by William Schneiderman, secretary of the Communist Party in California. Mr. Schneiderman has since been convicted of conspiracy to advocate the overthrow of this Government by force and violence.

The record shows also that Dr. Oppenheimer was in touch with other officials of the Communist Party, some of whom had been engaged in espionage. His contact with these people was not casual. Among these persons was Steve Nelson, who on more than one occasion was a guest at Dr. Oppenheimer's house. Nelson, you will remember, was the head of the Communist espionage ring at Berkeley. He is now in the penitentiary for conspiracy to advocate the overthrow of our Government by violence. Finally, the Commission found that Dr. Oppenheimer's activities were of such a nature that the Communists of California looked upon him as one of them, a secret member whose ties to the party could not be disclosed.

Moreover, the Commission found that Dr. Oppenheimer's association with Chevalier had continued until recently. In 1950, Dr. Oppenheimer wrote Chevalier a letter which he used in connection with his application to the State Department for a United States passport. Later that year Chevalier was a guest of Dr. Oppenheimer for several days at the doctor's home in Princeton. In December, 1953, Dr. Oppenheimer saw Chevalier in Paris, spent some time with him on two occasions, and consulted with him on a personal problem which according to Dr. Oppenheimer had to do with Chevalier's security clearance.

In closing, let me remind you again that seven of the nine responsible men who considered the case of Dr. Oppenheimer concluded that his continued employment would involve risk or danger to this country. This was their honest and conscientious opinion, formed after a painstaking study of all of the evidence. In view of the nature of Dr. Oppenheimer's employment, the risk they must have had in mind was a risk to the very life of this nation and the lives of all of us. If we now say that they were wrong, we must be willing to wager our lives, and the life of our country, on the superiority of our judgment over theirs. This I am not willing to do.

Finally, I ask you this question: If you were charged with the duty and responsibility of devising security criteria for this country, could you in good conscience set up any effective standard that would have produced a different result in this case?

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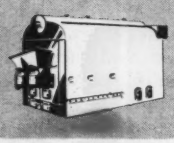

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We've Been Asked:

WHO CAN TAP A WIRE

- **The practice of tapping telephone wires to listen to private conversations has been increasing.**
- **Many people want to know how they can be assured of telephone privacy. Also, what action is the Government taking to stop unauthorized wire tapping?**

Is wire tapping legal?

Sometimes it is and sometimes not. Under federal law, the actual tapping of a telephone wire is not illegal, but it is against the law to disclose information gained by listening without authorization on a tapped wire. Many States permit wire tapping by law-enforcement officers, but most States outlaw the practice by others. About a dozen States do not directly ban wire tapping by anyone.

Is the practice of tapping wires widespread?

Yes, it is, although no one knows really how many phones are tapped. And there are indications that the practice, despite some laws against it, is increasing. In New York City, where unauthorized tapping is illegal, the tapping of trunk lines leading into thousands of homes and offices recently was reported.

Do federal agents tap many wires?

Some of them do. The Federal Bureau of Investigation, however, does not use this method of investigation as much as is generally supposed. Before an FBI agent is allowed to cut in on a wire, he must get written permission from the Attorney General. Altogether, according to a spokesman for the agency, the number of FBI taps in operation at one time never has exceeded 200, even in wartime. Most of these involved cases of spying and subversion. Some other Government agencies, particularly the armed forces, use wire tapping to get information, but the exact number of taps has not been disclosed.

Can evidence collected by wire tapping be used in court trials?

The federal courts do not permit as evidence any information gained by tapping telephone wires. Furthermore, the head of the Criminal Division of the Department of Justice says his lawyers, in preparing cases, do not have access to information obtained by wire tapping. They don't even see it, he says. On the other hand, the courts in about 30 States do accept evidence based on wire tapping by law-enforcement officers. The other States do not permit such testimony in courts.

How is wire tapping done? Is it easy?

There are various ways of tapping a wire, and it can be very easy. Evidence of this is a recent incident where a 12-year-old schoolboy tapped the wires of some neighbors and listened in, just for the fun of it. Numerous devices, costing from very little up to about $1,000, can be used. Usually an attachment is placed directly on a wire. This can be done outside a house or even some distance away. Sometimes it is possible to listen in on a phone conversation without making a direct contact with the wire.

Can you tell when your phone is tapped?

No, not as a general rule. Thousands of persons are having their phone conversations listened to without knowing it. In these cases there is no special buzzing or other signal to notify a person whose line is tapped that what he says is being overheard.

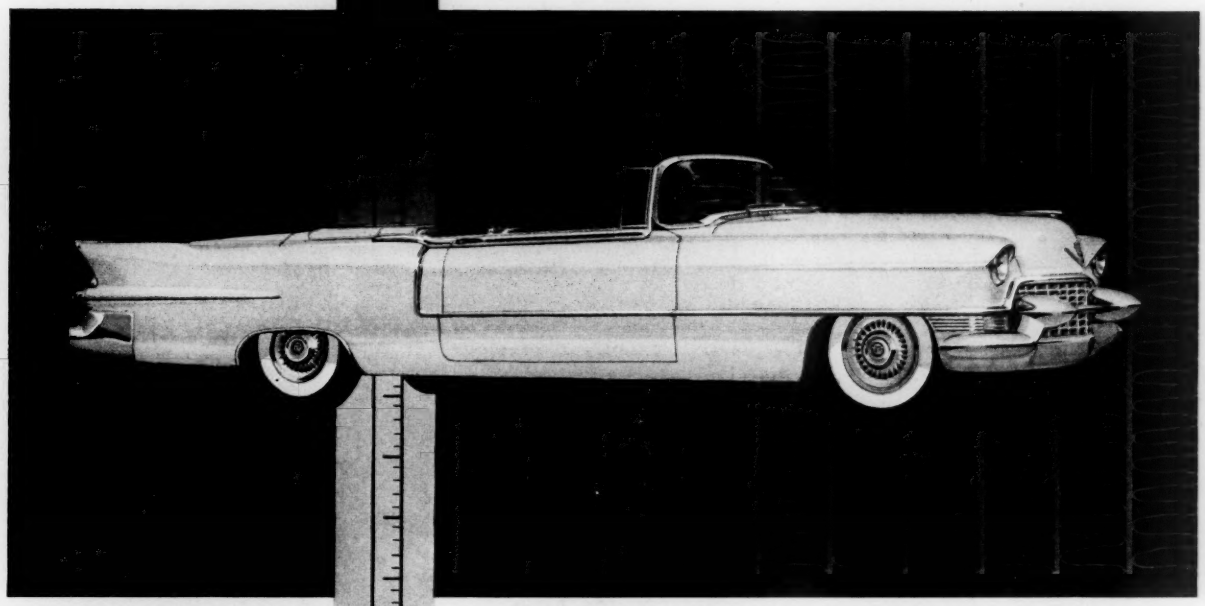
Why are so many wires tapped?

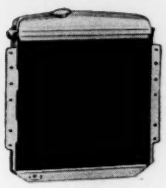
For a number of reasons, in addition to tracking down lawbreakers. Private detectives use this method frequently; so do gangsters, blackmailers and racetrack bookies. Wives and husbands sometimes check up on each other; some businessmen get information about their competitors and employes this way. There are many uses for wire tapping.

Can't the Federal Government stop unauthorized wire tapping?

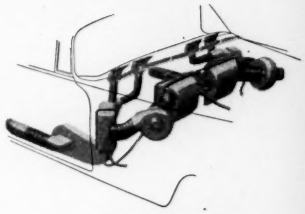
Congress is considering several bills now. One would outlaw unauthorized wire tapping except by law-enforcement agents in cases involving such things as espionage, sabotage, treason, sedition and kidnaping. A court order would be required before a tap could be set up, though some persons think approval by the Attorney General should be enough. Three of the measures would allow tapping by State and local officials. The bills also would permit use in federal courts of evidence gathered by authorized wiretaps. Fines from $1,000 to $10,000 and prison terms of from 1 to 10 years would be provided for violators.

STANDARD... FOR THE STANDARD OF THE WORLD!





Every new Cadillac is equipped with a compact, dependable Harrison radiator.



New Cadillac heater by Harrison features two blowers... four heat outlets.

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HARRISON RADIATOR DIVISION, GENERAL MOTORS CORP., LOCKPORT, N.Y.

HARRISON

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*The Brandy of Napoleon**

84
PROOF

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** sometimes get a ***Government order*** for production of technical military supplies before you have completed their development under a defense research contract. The Secretary of Defense announces that special consideration will be given to initial-production contracts, before completion of development work, involving tanks, radar, guided missiles, aircraft and similar complex equipment.

* * *

☑ **YOU CAN** satisfy the tax requirement that you must furnish your employes with a ***withholding tax statement***—form W-2—by mailing the form to them. The Internal Revenue Service rules that is sufficient compliance.

* * *

☑ **YOU CAN** apply to the Department of Interior for a certificate of necessity that would allow you ***rapid tax write-off*** for electric-power transmission lines being expanded for defense or defense-related service. The Office of Defense Mobilization approves this.

* * *

☑ **YOU CAN** avoid paying a ***transportation tax*** on the amount that you pay to a moving company for packing and unpacking your clothing if you are billed separately for this service. This is authorized by the Internal Revenue Service.

* * *

☒ **YOU CANNOT** escape paying a transportation tax on the amount that you pay a truck owner for transporting ***farm workers*** from a concentration point to a farm and return if the round-trip rate represents a charge of more than 35 cents a person. This clarifying ruling is issued by the Internal Revenue Service.

* * *

☒ **YOU CANNOT** safely call your individual employes into your office just before a ***plant election*** and urge them to reject the union. The National Labor Relations Board holds that this interfered with the workers' Taft-Hartley right to free choice in voting.

* * *

☒ **YOU CANNOT** always take more than 30 days to pay the Government a debt that you owe because of price redetermination or renegotiation of a ***defense contract.*** This new policy of the Defense Department is being put into effect first by the Navy, later by the Army and Air Force. Only under special circumstances will contractors be given 90 days, or longer, to complete payments.

* * *

☒ **YOU CANNOT** safely question your employes about union membership on the ground that you need this information to answer charges of ***unfair labor practices*** filed against you. NLRB says this is no excuse for such questioning.

* * *

☒ **YOU CANNOT,** in handling the tax affairs of a ***real estate development company,*** fail to include in taxable income annual assessments collected from homeowners for street repairs, fire and police protection and removal of trash. This is a tax ruling of the Internal Revenue Service.

* * *

☒ **YOU CANNOT** expect the Labor Board to throw out the results of a representation election just because a union distributed a campaign leaflet during company time within 24 hours of the voting. NLRB finds that this was not a violation of the ***Taft-Hartley Act.***

* * *

☒ **YOU CANNOT** ***refuse to bargain*** with the certified union in your plant even though a majority of your employes sign a statement saying they do not want to be represented by the union. The Labor Board rules that the signing of such a statement does not justify an employer's refusal to negotiate.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government Bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

Light Industry Grows in the Sun with
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More than 500 light manufacturing plants have moved into Florida's Dade County during the past five years. This industrial force is producing for world-wide, national, and local consumption —in a playland paradise!
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IS FEDERAL LENDING TO END?

Congress Urged to Rely on Private Bankers

An end to subsidized lending by Government is the plan now before the Administration.

Cheap credit fostered by federal agencies is criticized by an official survey. There is criticism, too, of "bad loans," financial aids to special groups at taxpayers' expense, loose accounting methods, activities subject to pressure groups.

A new trend may be starting.

A drastic overhaul of Government's huge lending and underwriting programs now is getting serious study in the Eisenhower Administration.

What is proposed is a reversal of a trend that in a few decades has made the U. S. Government the biggest lending and insuring outfit in the world.

Specifically, it is suggested that Government scrap or turn over to private enterprise most of the activities in which it has loaned billions of dollars at low cost to farmers, small businessmen, veterans, foreign governments and others. It's proposed, too, that Government yield to private enterprise in the matter of insuring and guaranteeing loans for home buyers and builders and for veterans in business.

Author of these controversial proposals is the second Hoover Commission, which holds out to the Administration the picture of 6.5 billion dollars that might be taken back from lending agencies, plus an annual saving of 200 million from an end to subsidies.

The issue. What the Commission has done is to lay squarely before the President the issue of Government-subsidized competition with business.

The Administration, it is being recalled, is firmly committed to taking Government out of business. It's pledged, too, to balance the budget—a goal that would be made far easier by the big savings indicated by the Commission.

That the lending agencies are studying these Hoover proposals is officially revealed. The Administration, only 10 days before the lending-agency proposals were made, ordered all agencies of Government to give immediate and serious study to the Hoover Commission recom-

U. S. GOVERNMENT: BANKER AND UNDERWRITER

Agencies engaged in lending and underwriting add up to	38
Employes in these agencies number	40,000
These agencies have borrowed from the Treasury	$16,903,507,011
They can call on the Treasury for an additional*	$14,160,028,000

Loans, guarantees and insurance extended or committed by these agencies TOTAL	$244,272,515,000
This total is made up of—	
Insurance for bank deposits	$106,509,000,000
Aids to housing	$55,786,358,000
Veterans' life insurance	$44,097,912,000
Aids to foreign governments	$26,360,443,000
Aids to agriculture	$8,643,092,000
Aids to business	$2,875,710,000

*Includes only the agencies' specific authority — some have no limits on amounts to which they can commit the Treasury.

Source: Commission on Organization of the Executive Branch of the Government

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mendations. Officials say they are studying this latest set.

What Government does. The fact is that, over the years, Government has gotten into just about every kind of credit and insurance operation.

Altogether, the 37 or so agencies engaged in these financing operations now have commitments totaling more than 244 billion dollars. That excludes the multibillion-dollar obligations of the Old-Age and Survivors' Insurance plan.

These agencies' loans alone amount to 41.5 billions—considerably more than half as much as all the loans by all the country's commercial banks.

Life insurance written for veterans is 44 billion dollars—nearly half as much as all the protection written under group life policies that now cover about half the country's work force.

Federal agencies' housing loans come to 4 billions. And private loans guaranteed or insured by Government come to about 52 billions—two thirds of all home-mortgage credit.

Some 106.5 billions of dollars of bank deposits are insured by Government.

These programs, in the opinion of the Commission, are subject to all kinds of "weaknesses." The agencies have a "tendency" or "impulse" to take over the functions of private enterprise, to go on operating after their job is done, to try to expand and to give in to pressure groups.

Not only that, says the Commission, but they dispense "hidden subsidies" by lending and underwriting without adequate charges. "Where easy money is obtainable from Government," says the Commission, "financial integrity tends to deteriorate and windfalls and corruption frequently flourish."

The Commission feels that, while some of these programs may have had a degree of justification at one time, it's now time to prune and revamp the whole setup.

Some agencies are marked for extinction. For others there's a demand to "merge them into the free-enterprise system," and to end the subsidies.

Housing: an example. You get a pretty good idea of what is involved from the Commission's pronouncements and proposals on housing loans.

Take, for example, the loans that the Veterans' Administration guarantees for veterans who want to buy homes or, to a lesser extent, to get started in business or farming ventures.

"Only about 4 million of the 21 million living veterans have benefited from these programs," reports the Commission. "No fees or premiums are charged on guaranteed or insured loans and therefore the program has no income except from interest on direct loans. The grants, losses, and the administrative expense are borne by the general taxpayer."

The Commission recommends that the

(Continued on page 104)

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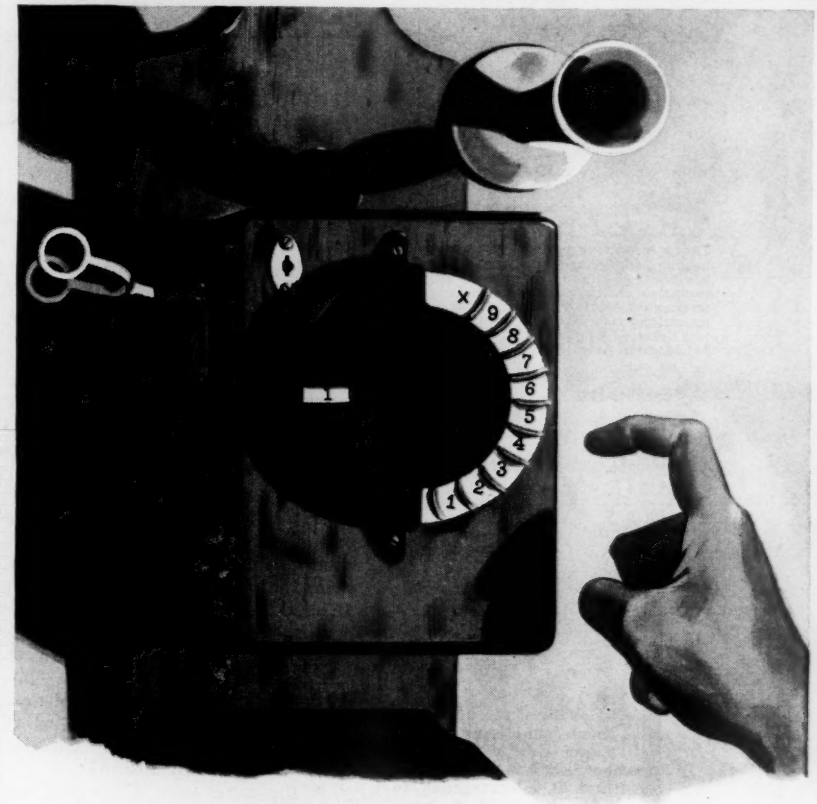

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DIVIDEND NOTICE

Common Stock Dividend No. 157

The Board of Directors on March 16, 1955, declared a cash dividend for the first quarter of the year of 55 cents per share upon the Company's common capital stock. This dividend will be paid by check on April 15, 1955, to common stockholders of record at the close of business on March 28, 1955. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer

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VIRGINIA BEACH, VA.

Commission's plan for Federal Housing Administration: Merge it into the private-enterprise system...

loan-guarantee program be allowed to die July, 1957, for World War II veterans, and January, 1965, for Korean-war veterans, as now called for by law. The direct-loan program would be extended only until July, 1957, as requested earlier by President Eisenhower.

The Commission is even more critical of the Federal Housing Administration's program of insuring mortgage loans.

"Many of the difficulties of the Federal Housing Administration," says the Commission, "stem from its expansion of direct and indirect credit beyond the limits of either real need or prudent investment." The Commission's view is that FHA promotes overexpansion of housing credit, on overliberal terms.

If the Commission's proposals are sustained, FHA will be "mutualized"—that is, "merged into the private-enterprise system," with more control given to private enterprise. Also, FHA will quit depending on Government for its capital and turn to private sources. And FHA will require lenders to take some of the risk on loans newly insured.

At the same time, FHA will require bigger down payments from home buyers and, presumably, charge more for its services, if the Commission prevails.

And other Government programs in the financial end of construction will be liquidated, severely curbed or shifted into the orbit of private enterprise.

Farm credit. The Government's dozen or more programs of credit aids for farmers are scarcely more popular with the Hoover Commission.

An example is offered by the activities of the Rural Electrification Administration in lending money to farm groups to finance power installations.

REA, the Commission finds, is lending this money at what amounts to less than 2 per cent while the U. S. Treasury is paying 3 per cent for the funds that it puts up for the purpose.

The time has come, says the Commission, to "reorganize" REA. The agency would be made to get its financing from private sources, be made self-supporting and be "merged into the private-enterprise system." Though it makes no specific recommendation, the Commission hints that it would like to see the electrical co-ops lose their federal tax exemptions, too.

Other farm-credit programs are nominated for this same general treatment. For one thing, farmers no longer would receive crop-support loans. Government, in shoring up farm prices, would rely entirely on purchase agreements.

There are similar proposals for programs under which Government helps finance farm production, farm housing, other agricultural activities.

Still others. If the Commission's advice is taken, these things also will occur.

The Small Business Administration will get two more years of life—in which to prove its worth. So far, says the Commission, SBA has made about as many "bad loans" as good. In the meantime, SBA will raise its interest rates.

Export-Import Bank will cease to make short-term export-import loans and become the sole federal agent for long-term foreign loans.

Congress will take a look at the International Monetary Fund to determine whether it has any value for U. S.

Government will quit paying the administrative costs for the program of veterans' life insurance—and for a long list of other activities as well.

Most of these programs will be brought under stronger budget control by Congress.

Up to Congress. What the proponents of these programs will have to say about the Commission's proposals is something else again. Opposition already is beginning to be heard. The President and Congress are going to have to choose between two sets of voices.

Congress Softens 'Loophole' Repeal

Businessmen can find some comfort in the way Congress is moving to repeal the more generous rules adopted last year for deducting future expenses and postponing the payment of taxes on "advance" or "prepaid" income.

The new rules already have been used by perhaps thousands of firms in reporting income and paying taxes for 1954. By repealing the provisions retroactively, Congress is forcing these companies to figure their taxes all over. Result will be to change the income pictures already shown to stockholders.

For many firms, it means a sharp increase in reported—if not real—income, and in taxes themselves.

What businessmen need to note is the lack of intent to kill off permanently the two critical parts of the law—Sections 452 and 462. The plan is to withdraw the sections temporarily in order to tighten them and prevent abuses that could result in billions of dollars of revenue losses.

(Continued on page 105)

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Finance Week

...Retroactive tax to carry no penalty

Businessmen can be reasonably confident that they will recover these new accounting privileges—if not this year, then next.

The House Ways and Means Committee, in fact, was unanimous in approving the principles involved in Sections 452 and 462, even while the Committee was voting to repeal the sections. The Committee requested the staffs of the Treasury Department and the Joint Tax Committee of Congress to study the principles and come up as soon as possible with some way to get them back into law.

Meanwhile, Congress is trying to soften the blow of the repealer a bit.

No interest or penalty will be charged firms that are stuck with an increase in taxes already paid. And businessmen will get until next September 15 to pay additional taxes resulting from the repealer.

In addition, companies will get until September 15 to pay any sums due their profit-sharing **and bonus funds as a** result of a boost in reported income.

› Easy home loans. People still are getting housing loans too easily, too cheaply, with too little down and for too long a time, according to many of the institutions that do the lending. "Too many families," says J. Howard Edgerton, President of the U. S. Savings and Loan League, "are occupying homes under Government-type financing, which means they have little or no equity in them."

What lenders fear is that any sharp break in real estate prices could lead to trouble. They can't quite believe that a family that bought a $14,000 home with little or nothing down will be happy to go on paying off the $14,000 if the market value of the house drops to, say, $12,000.

› Common stocks. If you are an investor who likes to know what the professionally managed investment companies are doing, you may be interested in those companies' holdings of steel shares. At latest report, they held a bit over 174 million dollars' worth of common stock in steel corporations.

Largest total holding was in Bethlehem Steel, with 61 investment companies holding just over 47 million dollars' worth of that firm's common stock. U. S. Steel was second, with 59 investment companies holding 39 millions of common stock. Republic Steel, Armco Steel and Youngstown Sheet and Tube came next.

QUINCY COMPRESSOR CO.
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By a Wall Street Journal Subscriber

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PLUS & MINUS
Latest Indicators of Business Activity

Output of industry has risen to within striking distance of the peak that preceded the 1953-54 recession. Output gains are being accompanied by a steady decline in unemployment.

Factory output rose to 136 on the indicator below in the week ended March 19, up 10 per cent from the low of July, 1954, and only 2 per cent below the boom peak of July, 1953.

The steel industry, producing at 94.2 per cent of capacity, turned out ingots at a rate only 2 per cent below the record of March 23, 1953.

Auto manufacturers toppled all records for passenger-car output, at 176,553 cars, Ward's Reports announced. Production for the year to March 19 was 47 per cent ahead of a year ago.

Carloadings of manufactured goods for the week were 8.4 per cent above '54.

Unemployment evidently has taken a good drop from its 3,383,000 total of early February. Normally, the jobless total shrinks about 8 per cent from February to March. There are signs that the drop was larger this year.

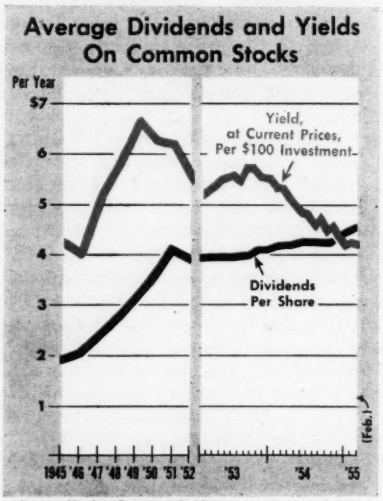
Insured unemployment, for example, declined almost 200,000 from the week ended February 12 to the week ended March 12, down 10 per cent. In no other postwar year has the drop over this period been so large.

Layoffs, measured by new claims for unemployment compensation, shrank to 209,900 in the week ended March 19, the lowest since October, 1953.

Stock prices, meanwhile, have recovered sharply since early March, when heavy selling drove them down 7 per cent. By March 23, the Dow-Jones industrial average was only 2 per cent below its record high of March 4.

Dividend payments, rising slowly but persistently, are keeping stockholders in a hopeful frame of mind. Dividends per share on common stocks, shown in the top chart, averaged $4.56 in February, against $4.14 a year ago.

The yield on stocks, also shown in the chart, had fallen by February to $4.21



Source: Moody's Investors Service
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per $100 invested at current prices. That compares with $5.32 a year earlier. Over the 12-month period, stock prices rose faster than dividends, cutting sharply into the return available on new stock investment.

Bond yields have climbed since the business recovery started last autumn. In February, common stocks yielded about a third more than corporation bonds. A year earlier, they yielded about 65 per cent more.

Fears of a money squeeze that would drive bond yields sharply higher and injure stock values are subsiding.

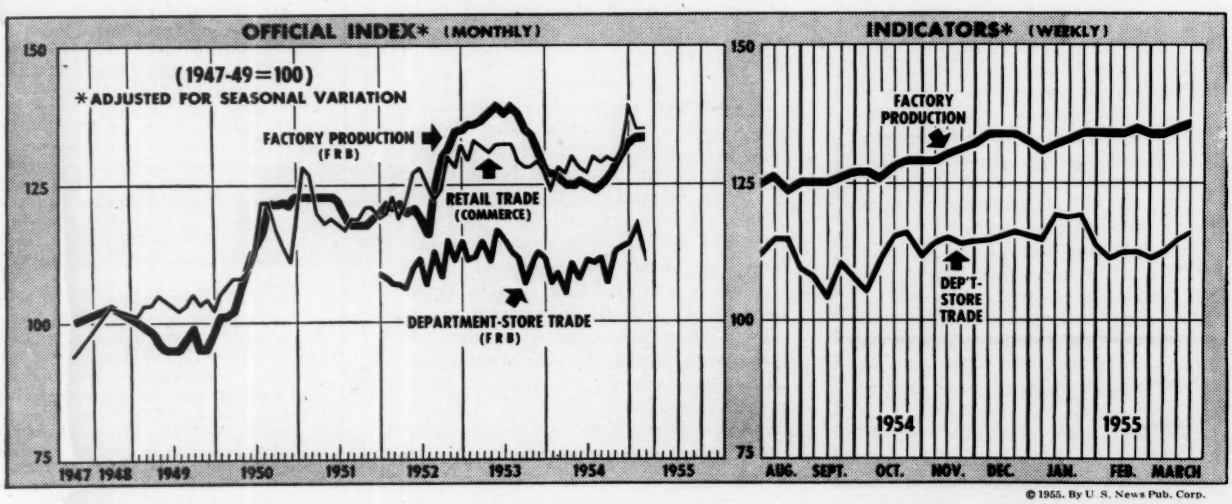
Prices of long-term Treasury bonds have been rising since February. Yields, thus, are down. Corporate and municipal bonds have resisted further price declines. The rise in their yields has slowed.

The securities markets, it now appears, will not be deluged with new bond offerings. A few large toll-road issues have been postponed. Administration proposals to finance large school and highway-building programs with new bond issues are having hard sledding in Congress.

Money policy of Federal Reserve Banks, it is now realized, is not being cast to bring about a rise of interest rates no matter what the condition of business. Earlier this year, Federal Reserve Banks sold some of their Treasury bills to soak up excess funds of commercial banks. But no additional Treasury bills were sold in the four weeks ended March 23.

Strongest influence on money policy will be the course of business activity. A drop in auto production is sure to come later this year. If soft spots appear elsewhere in the economy, money policy is likely to aim at keeping interest rates from rising.

Breadth of business gains, however, suggests that declines in some industries will be offset by advances in others. In the second half of this year, business is likely to hold most, though perhaps not all, of the gain it makes in the first half.



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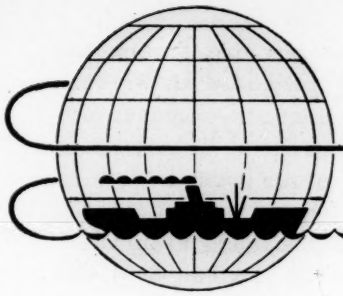

Business Around the World

TOKYO • LONDON • SYDNEY • NEW DELHI

›› The Japanese are in a first-class dilemma over trade with Communist China.

Prospect of rebuilding the China trade looks good to many Japanese. But the more cautious are worried about U.S. reactions. The Japanese don't want to slam doors in any faces, want to keep doors all ajar. This requires agility.

›› U.S. dollars keep Japan going now. U.S. dollar spending in Japan bridged the 700-million-dollar gap between Japanese imports and exports in 1954.

But it irks the Japanese to think that they are so dependent on the U.S.

The Communist Chinese exploit these feelings in trade talks with the Japanese. If more coal, raw materials and food could be imported from Red China, less would have to be bought from dollar sources. This is important, since the Japanese can't count on high dollar spending by troops and for repairs and servicing of U.S. matériel forever.

Isn't it time, the Communists ask, for Japan to settle into a natural trade pattern with her neighbors on the Asian mainland?

These arguments make sense to the Japanese. And actually the U.S. doesn't object to Japan's getting more supplies from mainland China.

Difficulty lies in what the Communists want in return for these supplies. They undoubtedly will want strategic goods, which Japan is banned from shipping under agreements with the U.S. and other Western allies.

U.S. Embassy in Tokyo has been quietly informing inquiring Japanese businessmen about what happens if they export strategic goods to China or set up offices or branches in China. Under American law, their assets in the U.S. could be frozen, their representatives in the U.S. could be deported, their ships could be barred from U.S. ports.

Japanese zeal for widening trade with China is lessened by these considerations. Also, they remember the trade figures. Last year, the Japanese sold goods worth some 18 million dollars to Red China, as against 278 million dollars' worth sold to the U.S.

The U.S. market, U.S. feelings and the continued inflow of U.S. dollars--all these are of considerable importance to the Japanese. These are some of the hurdles the Chinese trade negotiators are up against in Tokyo.

›› Another thing bothers the Japanese about trying to step up trade with the Chinese Communists. That's Japanese experience in dealing with the Russians.

Japanese-Soviet trade agreement signed last autumn called for an 80-million-dollar exchange of goods. But contracts have been signed for only about 10 per cent of that amount. There's a lot of haggling over prices, for one thing.

Same problems may arise with the Chinese, it is feared.

(over)

>> It hasn't escaped attention, either, that the Russians now are trying to renege on millions of dollars in orders for consumer goods placed with British firms. This cancellation move seems to tie in with the recent de-emphasis of consumer goods by the new Kremlin bosses.

Both the Russians and the Chinese are interested primarily in heavy machinery, optics and similar goods, many of which are on the strategic list.

Yet, despite the many unsatisfactory aspects of doing business with the Communist bloc, two of the largest British banks operating in the Far East are considering starting up in business again in Communist China, even though their branches and personnel in China have been harried unmercifully by the Communists. These British bankers must think that prospects favor a build-up in Communist China's foreign trade with the free world.

These banks traditionally have had very large stakes in the China trade.

>> The British have a sharp eye out for new trade possibilities. They must expand trade to keep on an even keel. It's quite a blow that Britain's best customer, Australia, is to cut down sharply on imports starting April 1.

Australia last year bought three quarters of a billion dollars' worth of British goods. New import curbs--especially on automobiles and other luxury goods--will hit Britain particularly hard. Australian restrictions on imports from the U.S. and Canada have been stiff for some time and remain so.

In the eight months to February 28, Australians spent 100 million dollars more on imports than they earned from exports. Something has to be done to right the trade scales. Also, Australian food exports, mainly to Britain, face difficulties. The British Government is pushing a cheap-food policy--with elections coming up. But Australian costs and prices are rising.

>> Foreign investors are keeping close tabs on two Indian developments.

A constitutional amendment, now before the Indian Parliament, broadens the Government's power to expropriate private property and gives the Parliament the sole right to determine what compensation is paid.

This gets around the Indian Supreme Court, which upheld higher compensation claims than the Government desired. The amending bill is designed especially to meet problems arising out of land reform and out of the Government's moving in on industrial firms it believes are being mismanaged.

The proposed amendment, as now worded, is so broad that foreign investors, present or prospective, are quite disturbed. Chances are that the wording will be changed so that the Government at least won't be both judge and jury.

>> Many "old Indian hands" think the Indian Government's attack on the system of managing agencies is much more serious than the constitutional amendment.

Under British rule, managing agencies contracted to handle many enterprises --such as tea gardens, jute mills, cotton mills--for their owners. Such agencies still "control" large sectors of Indian industry. These agencies--usually London firms--send out management personnel, hire and fire workers, buy supplies and equipment, raise capital in London when necessary.

Virtually all the British capital in India came in through this system.

To the Nehru Government, these agencies are a symbol of the old British rule and of absentee ownership. The Government intends to make managing-agency agreements illegal. That will eliminate much know-how from the Indian scene.

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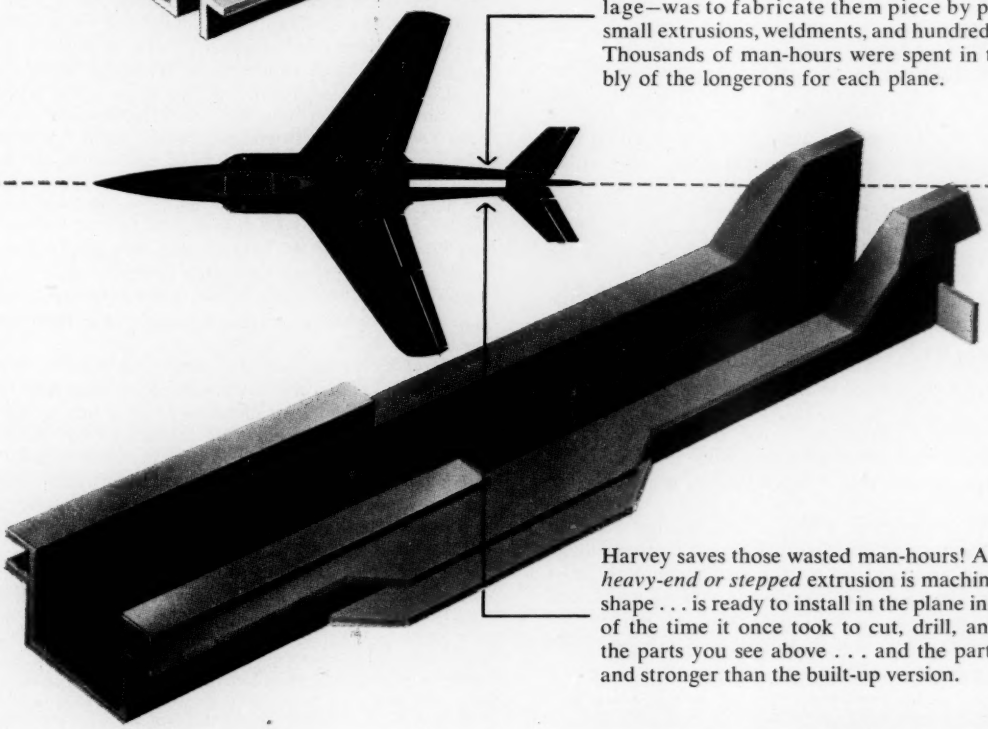

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Exposing—
THE "FLOP" OF A CENTURY

[Continued from page 61]

Those were, I think, my last published words as a defender of the Soviet Union. It is not easy to set dates in such a matter. "Who can determine when it is that the scales in the balance of opinion begin to turn, and what was a greater probability in behalf of a belief becomes a positive doubt against it?" Cardinal Newman asks the question in his *Apologia*, and I must say that with all the documents I have in hand, I can not be exact as to the moment when I abandoned my attitude of "loyal to the Soviet Union but opposed to the Stalin leadership," and decided that thanks to that leadership the hope of socialism in Russia was dead.

I only know that during the year 1933 those positive doubts grew so strong that I abandoned my pro-Soviet lectures, and remained silent for about two years. In the spring of 1936, I wrote an essay, "The End of Socialism in Russia," which was published in *Harper's Magazine*, January 1937, and afterward by Little, Brown & Company as a book. "To my mind there is not a hope left for the classless society in present-day Russia," I said in that book. But I still regarded Stalin's totalitarian dictatorship as an enemy, rather than a result, of the policies of Lenin.

It took me another two years to arrive at the knowledge that Lenin's methods—or in other words bolshevik Marxism—were to blame. This further slow step in my enlightenment was recorded in another book, published in 1940, and called *Stalin's Russia and the Crisis in Socialism*.

"I now think," I wrote in that book, "that this brilliant device for engineering a seizure of power, invented by Lenin with a super-democratic purpose, has shown itself to be in fatal conflict with the purpose. I think that an armed seizure of power by a highly organized minority party, whether in the name of the Dictatorship of the Proletariat, the Glory of Rome, the Supremacy of the Nordics, or any other slogan that may be invented, and no matter how ingeniously integrated with the masses of the population, will normally lead to the totalitarian state. 'Totalitarian state' is merely the modern name for tyranny. It is tyranny with up-to-date technique. And the essence of that technique is a reverse use of the very thing upon whose forward action Lenin ultimately relied, the machinery of public education."

This change of opinion invalidated much that I had said in the second part of my book, *Marx and Lenin, the Science of Revolution*. Moreover I had learned a great deal more about Marxism since that book was published in 1926. Its demonstration of the unscientific, and indeed superstitious, character of Marx's whole mode of thought seemed more and more important as the battle between the Soviets and western civilization developed. It was my main contribution to the battle, and I wrote it over again as maturely and carefully as I know how. With the title *Marxism, Is It Science?*, it was published in the autumn of that same year, 1940.

Even then, although rejecting Lenin's system of party control, I had not decided that "the socialist hypothesis" was disproven. That decision, or the inner force to confront that fact, arrived in the following year. And in this case I do remember the precise moment. At a cocktail party given by Freda Utley—I think for her friend Bertrand Russell—during a conversation about some last and most significantly dreadful news that had come out of Russia, she suddenly asked me:

"Aside from these Russian developments, do you still believe in the socialist idea?"

I said, "No."

Although I had never said this to myself, the answer came from the depths of my heart and mind. It seemed perfectly clear, once the question was boldly put, that if the socialist hypotheses were valid in general, *some tiny shred* of the benefits promised by it would have appeared when the Russian capitalists were expropriated and production taken over by the state, no matter how untoward the circumstances. By that time *everything* in Russia was worse from the standpoint of socialist ideals than it had been under the regime of the Tsar. I did not need any additional experiments such as that in Nazi Germany, or in England, or the obvious drift in other countries, to convince me.

I was sure that the whole idea of extending freedom, or justice, or equality, or any other civilized value, to the lower classes through common ownership of the means of production was a delusive dream, a bubble that had taken over a century to burst.

I have never had any hesitations or regrets about the decision—only about the unconscionably long time it took me to reach it. When I am denounced as a turncoat by the true believers it does indeed bring a blush to my cheek, but only because it took me so long to turn my coat. I sadly regret the precious twenty years I spent muddling and messing around with this idea, which with enough mental clarity and moral force I might have seen through when I went to Russia in 1922.

This present book contains my principal conclusions, or the principal things I have learned politically, since making that decision. . . .

• • •

CHAPTER III — Freedom and the Planned Economy

A FALSE and undeliberated conception of what man is lies at the bottom, I think, of the whole bubble-castle of socialist theory. Although few seem to realize it, Marxism rests on the romantic notion of Rousseau that nature endows men with the qualities necessary to a free, equal, fraternal, family-like living together, and our sole problem is to fix up the external conditions. All Marx did about this with his dialectic philosophy was to change the tenses in the romance: Nature

. . . "The principle of collective responsibility for those actually in want can be maintained without violating the principle of competition. But we need no longer deceive ourselves that liberty in a human world is compatible with economic equality"

will endow men with these qualities *as soon as* the conditions are fixed up. Because of his stress upon economic conditions, Marx is commonly credited with the cynical opinion that economic self-interest is dominant in human nature.

Marx was far from a cynic about human nature. He believed that human nature is a function of the economic conditions, completely variable and capable of operating, once these conditions are "ripe," on the divinely rational and benign principle: "From each according to his abilities, to each according to his needs." It was to protect this optimistic dogma about human nature that the Stalin government felt obliged to stamp out the true science of genetics. According to that science, traits acquired during the lifetime of an organism are not appreciably transmitted in heredity. Only by selective breeding, whether artificial or natural, can profound changes be made in the nature of any species. While men's acquired characters may, and undoubtedly do, change with changing economic (and other) conditions, the underlying traits of human nature remain the same. There is little doubt that the Marxian bigots in the Kremlin were moved by this consideration in liquidating the world-famous geneticist, Avilov, and supporting the charlatan, Lysenko, in popularizing a belief in the wholesale heredity of acquired characteristics. Without such belief, the whole Marxian myth that economic evolution will bring us to the millennium falls to the ground.

Once we have abandoned this myth, we can give heed to the real contribution of Karl Marx: his sense of the great part played by economic relations in determining political and cultural ways of life. His own sagacity will conduct us, then, to a genuinely scientific study of the economic foundations of political freedom.

This study has been made by various economists of the "neo-liberal" school—Wilhelm Roepke, F. A. Hayek, Ludwig von Mises and others. Taking human nature as it functions in average life, they have shown that the competitive market and the price system are the basis of whatever real political freedom exists, or can be imagined to exist, where there is an elaborate division of labor.

Value of Government Enterprise

I am not an economist, but I have watched with some care the destinies of these men's earnest writings. There has been no answer, and I don't see how there can be an answer, to their assertion that mankind is confronted with a choice between two and only two business systems—a choice which involves the fate of democratic civilization. We can choose a system in which the amount and kind of goods produced is determined by the *impersonal* mechanism of the market, issuing its decrees in the form of fluctuating prices. Or we can choose a system in which this is determined by commands issuing from a *personal* authority backed by armed force. You cannot dodge this issue by talking about a "mixed economy." The economy is inevitably mixed; nobody in his right mind proposes a total abandonment of government enterprise.

You can not dodge it by insisting the state must *regulate* the market or *intervene* in its operations. If carefully defined, that statement is obvious. The question is whether the economy is mixed to the point of destroying the essential directing function of the market, whether the regulations are a substitute for the market or a framework within which it shall operate, whether intervention is compatible or incompatible with the general control of the economy by the whole people as consumers of goods. That is the difference between collectivism and the market economy. That is the alternative with which mankind is confronted. You can not dodge it, or pray it away, or hide it from yourself with smokescreens of ideas. It is a fact, not an idea. We have to choose. And the choice is between freedom and tyranny.

How Socialists Regarded "Liberty"

There is no conflict between freedom so conditioned and a humane regard on the part of the state for people who fail utterly in the competitive struggle. No one need starve, no one need be destitute, in order to preserve the sovereignty of the market. The principle of collective responsibility for those actually in want can be maintained without violating the principle of competition. But we need no longer deceive ourselves that liberty in a human world is compatible with economic equality. Liberty means absence of external restraint. To democrats, it meant absence of arbitrary governmental restraint, and was to a degree synonymous with equality before the law. But to the Socialists it meant absence of all governmental restraint, and also of those more subtle restraints imposed by a minority who own the land and the wealth-producing machinery.

Who, in the absence of these restraints, is going to impose equality? What is to bring it about that men, once granted leave to behave as they please, will behave as though the whole human race were a loving family? We have to make up our minds, if we are going to defend this free world against an oncreeping totalitarian state control, whether, in fact, our primary interest is in freedom from state control, or in an attempt at economic equality enforced by a controlling state. We have to accept such inequalities as are presumed by, and result from, economic competition.

Equality apart, however, there is something vitally democratic, as well as impersonal, in the control exercised by the market. When a man buys something on a free market, he is casting his vote as a citizen of the national economy. He is making a choice which, by influencing prices, will enter into the decision as to how, and toward what ends, the economy shall be conducted. His choice may be outweighed by others who buy more; that is inevitably true.

But in placing the major economic decisions in the hands of the whole people as consumers, recording these decisions automatically through the mechanism of price, the market makes freedom possible in a complex industrial society. It is the only thing that makes it possible.

Strangely enough Marx himself as a historian was the first to perceive this. Looking backward, he observed that all our freedoms had evolved together with, and in dependence upon, private capitalism with its free competitive market. Had he been a man of science instead of a mystic believer in the inevitability of a millennium, he might have guessed at what is so clearly obvious now: that this dependence of other freedoms upon the free market extends into the future also. It is a brief step indeed from Marxism—once the He-

. . . "Our American creepers toward socialism . . . are destroying in the name of social welfare the foundations of freedom. . . . We must arm our minds now against the less obvious, the more strong and plausible and patriotic enemies of freedom, the advocates of a state-planned economy"

gelian wishful thinking is weeded out of it—to such a passage as this from Wilhelm Roepke:

"It is hardly forgivable naïveté to believe that a state can be all-powerful in the economic sphere without also being autocratic in the political and intellectual domain and vice versa. . . . It therefore makes no sense to reject collectivism politically, if one does not at the same time propose a decidedly non-socialist solution of the problems of economic and social reform. If we are not in earnest with this relentless logic, we have vainly gone through a unique and costly historical object-lesson."

The failure of the Social Democrats, and still more in America of the "left" liberals, to learn this lesson is now a major threat to freedom in the western world. I am not sure it is always a failure to learn.

Sadly enough, the Social Democrats, though trained in "economic interpretation," are least of all able to learn this lesson. Even those emerging from their imprisonment in Marxian dogma take the wrong road. They reject what was sagacious and scientific about the master, his insistence on the importance of economic relations, and cling to his wishful dream, contradicted by all we now know about economics, of freedom under the planning state. Instead of going forward from their pseudo-scientific socialism to an expert, modern attempt to create a better society, they shrink back, clinging to a word and an emotion, into an attitude hardly distinguishable from that of the utopian socialists whom Marx superseded.

I think a good number of these Fabians and crypto-socialists—a new breed to which political expediency under the New Deal gave rise—have a suspicion that freedom will go down the drain. Travers Clement, one of the old-timers, has explicitly proposed hauling down the watchwords: "Liberty, Equality, Fraternity," and running up: "Cradle-to-grave Security, Full Employment and Sixty Million Jobs." It was no accident of old age that both Sidney and Beatrice Webb and their brilliant colleague and co-evangelist in Fabian socialism, Bernard Shaw, ended their careers as loyal defenders of the most complete and ruthless tyranny mankind has known.

However, our American creepers toward socialism are most of them less bold and forthright than that. Often they don't even know where they are creeping. They see with the tail of an eye that political liberty is incompatible with economic subjection, but they refuse to look straight in the face of this fact. They refuse to learn the lesson that the history of these last thirty years has been spread out on the table, it almost seems, to teach them. They remain indecisive, equivocal—lured by the idea of security, orderly production, and universal welfare under a planning state, yet not quite ready to renounce in behalf of it those rights and liberties of the individual which stand or fall with the free market economy.

An ironical truth is that these socializers will not achieve security, orderly production, or the prosperity that makes universal welfare possible, by sacrificing freedom. They will be duped and defeated on all fronts. For me that also is proven by the history of the last three decades. But that is not the theme of this chapter.

Its theme is that our progress in democracy is endangered by democratic enthusiasts who imagine that they can preserve freedom politically while hacking away at its economic foundations. More even than the fellow travelers with their vicarious flair for violent revolution, or the Communists with their courageous belief in it, these piously aspiring reformers are undermining our hopes. Yearning to do good and obsessed by the power of the state to do it, relieved by this power of their age-old feeling of futility, they are destroying in the name of social welfare the foundations of freedom.

Arthur Koestler warned us some years ago against the "men of good will with strong frustrations and feeble brains, the wishful thinkers and idealistic moral cowards, the fellow-travelers of the death train." We have accepted his warning. At least we have learned the meaning of the word fellow traveler, and are no longer falling in droves for these unlovely accomplices of the tyrant.

We must arm our minds now against the less obvious, the more strong and plausible and patriotic enemies of freedom, the advocates of a state-planned economy. They are not on the train and have no thought of getting on, but they are laying the tracks along which another death train will travel.

CHAPTER IV — The Real Guarantee of Freedom

ONE of the unconscious mistakes of Socialists was to imagine that there is a beatific end, or any end at all, to human history. In the utopians this was excusable, for they were naively setting out to build an earthly paradise for man, and the idea could hardly occur to them that, once it was built, there was anything to do but live in it. When Marx breezed in, however, with his great brag of being realistic and hard-headed, telling us that ideals were unnecessary, the material universe is going "upward" eternally and the next stage after capitalism is bound to be socialism, it does seem odd that nobody asked: What comes after that?

Hegel has been smiled at for bringing the grand march of the Divine Idea in history to a sort of destination in the "practical and political condition existing in Prussia in 1821." Marx never joined in this smile. Marx scoffed at the Divine Idea, but took the grand march in history with monumental seriousness. The absurdity of stopping a locomotive universe at the precise point where his revolutionary ideals were realized never occurred to him. Wishful thinking is too instinc-

. . . "In the United States the power of the captains of organized labor is growing to a point where it should be regarded as a potential threat to freedom"

tive, especially among German philosophers, and Marx was too arrogantly adept at it. But if we are going to be seriously realistic, we'll have to make clear to ourselves that there is no end to the human journey. In our millennium we'll have to be content if things are "going well," and not ask them to exist fixedly, as heaven does, in a state of perfection.

Another mistake of the Socialists was to imagine that there might be brotherly peace in a free society—a settlement, that is, of all head-on conflicts of interest, all caste and class struggles. That might happen in heaven, but on earth men will always divide into groups with conflicting interests. As civilization advances they will divide into more groups perhaps, but not less keenly opposed.

The task of the social idealist is not to suppress these groupings, or try to reconcile them, but to keep them in a state of equilibrium—never to let any one get out of hand. Our liberties depend upon the success of this effort. Only where every powerful group needs freedom for itself in order to compete with others can society as a whole be free. Freedom is the name of the arena in which various social forces contend.

Libertarians used to tell us that "the love of freedom is the strongest of political motives," but recent events have taught us the extravagance of this opinion. The "herd-instinct" and the yearning for paternal authority are often as strong. Indeed the tendency of men to gang up under a leader and submit to his will is of all political traits the best attested by history. It has been so shockingly exemplified in modern times that only a somnambulist could ignore it in trying to build, or defend, a free society. His first concern should be to make sure that no one gang or group—neither the proletariat, nor the capitalists, nor the landowners, nor the bankers, nor the army, nor the church, nor the government itself—shall have exclusive power.

This truth was apprehended by Plato and Aristotle, who preferred a "mixed constitution" in which a monarch, an aristocracy, and a popular assembly divide the power. For modern times it was formulated by the Italian, Gaetano Mosca, whose concept of an equilibrium of social forces seems actually to define the sole basis on which freedom can flourish. Marx, of course, was untouched by such ideas. Marx was not a scientist thinking out the forms of a new society in which men might be happy, but a prophet announcing a millennium to follow the day of doom for the kingdoms of this world.

In sane good sense we radicals should have been thankful that, when the bourgeoisie displaced the feudal lords, a new class of proletarians was born, capable of sufficient organization to stand permanently against the bourgeoisie. We should count it a great folly in the advocates of proletarian revolution that they had in mind no other group, which, in the post-revolutionary society, might perform this indispensable function. "Permanent Class Struggle" would have been a wiser slogan than "Conquest of Power by the Working Class."

Marxism's "Most Fatal Mistake"

For the idea that the victory of any one social force, whether you call it class, or vanguard of a class, or party, or executive committee, or politburo, or what you call it, could produce a "society of the free and equal," is the most fatal of Marxism's political mistakes. "Permanent Class Struggle" has, in fact, been the motto, or tacit assumption, of the American worker. And the American worker is far more sophisticated than the European, if only because he was too lazy to do his homework on *Das Kapital*. His mind is clear of a whole tangle of antique, animistic, and disproven notions.

"Permanent Class Struggle" was also the program Trotsky proposed to his followers in case the proletariat should not rise in victorious revolution at the end of World War Two. In a startling pronouncement, which his followers have been careful not to remember, Trotsky said:

"If [at the conclusion of this war] the world proletariat should actually prove incapable of fulfilling the mission placed upon it by the course of development, nothing would remain except openly to recognize that the socialist program based on the internal contradictions of capitalist society ended as a utopia. It is self-evident that a new minimum program would be required—for the defense of the slaves of the totalitarian bureaucratic society."

Where Trotsky Was Wrong

For me there is a sorrowful irony in the fact that Trotsky, with whom I fought daylong over this question of Marxism versus experimental science, should have to confess from the grave that his beloved doctrine has been proven false by an experiment, and one that he himself had decided was crucial. The date he set for a showdown is ten years past, and the proletariat has dismally failed to fulfill its "mission." He believed, to be sure, that political democracy as well as socialism was doomed by this failure, but he could hardly postpone his "minimum program" until its doom was accomplished. He must needs have launched before now that struggle of permanent loyalty to the underprivileged which was all he had left.

He would have to humble his mind still more than that, however, if he wished to pursue in a world undistorted by Marxian superstition the ideal of a free society. He would have to recognize that other basic conflicts of interest, not just that between capital and labor, must be regarded as permanent. He would have to abandon that identification of self with the working class—a sentimental pretense not hard for an honest mind to abandon—and recognize that the champion of freedom stands somewhat apart from all social conflicts. His duty to plunge in on one side or the other is conditioned by time and circumstance. The sole fixed aim is to maintain an equilibrium—never to let any one force gain overwhelming power.

This will apply as much to the trade-union bureaucracy—and conceivably even to the trade-unions themselves—as to the bosses of industry and money. No man with his eyes open can fail to see that in the United States the power of the captains of organized labor is growing to a point where it should be regarded as a potential threat to freedom. Even the once-individualistic farmers have organized a pressure group that may have to be leashed, or balanced off, in the cause of a free republic.

It is an old question how much the course of history can be influenced by thoughts in the minds of men. Certainly it can be influenced in behalf of freedom only if thinking men learn to shift their attack from one threatening concentration of power to another. They will have to learn to change their aims—and what is more difficult, their allies— as the conditions change.

Though this will be hard for Marxists to learn, it is only a complete growing to maturity of that "flexibility" which was so prized by Lenin, and so brilliantly exemplified by him. Lenin called his rare gift "dialectic thinking," and imagined

. . . "The 'socialist liberals' are leading us in the direction of the slave state"

that it flowed from a belief that the material world is evolving toward his ideals in a zigzag fashion. Each thing turns someday into its opposite, the two are reconciled someday in a "higher unity," which again someday turns into its opposite, and so on forever—or at least until the believer gets where he wants to go.

This supra-logical contraption is needful only to a man who has read his purpose into the evolution of the external world. He is tied by that act to the objective process unless he conceives the world as going forward by a series of intrinsically unpredictable sideways jumps. In short, the notion of dialectic enables the believer to escape in practical action from the rigidity that his theoretical faith imposes. That is its sole value to Marxists. Lenin was more accurate than he knew when he cried: "Flexibility of conception, flexibility to the point of the identity of opposites—that is the essence of the dialectic."

To a mind aware that history is not an escalator, and that no one knows where the objective facts are leading, flexibility is inculcated by the mere fact of change. It requires no metaphysical hocus-pocus to justify it. And it is attainable to a degree that Lenin, with his fixed faith in a millennium to be reached by "resolving the contradictions in capitalism," never imagined.

I can see no course open to the disillusioned Marxist who remains loyal to his original ideals but to attain that genuinely scientific flexibility. He will have to make one further reduction in his Marxian pride, however. He will have to recognize that in the dream world in which they conducted their famous sparring match, the anarchists had as important a piece of wisdom in their keeping as the Marxists had. For one of the social forces which must be held in leash if the libertarian equilibrium is to be maintained is the political government.

The anarchist idea that the state is the sole enemy, and that once the state is overthrown men will live instinctively in cooperative freedom, was childish indeed. It was a good deal more simply and lucidly childish than the imposing intellectual structure with which Marx tried to read his youthful passions into history. But when the balance is struck it will be found that Bakunin's criticism of the Marxists, and that of the less famous Russian Machaisky, were as valid as Marxism.

Why Government Must Be Limited

The state occupies a special position in society because it has a monopoly of armed force, but that only makes it more vital that it should not be sacrosanct. Not only must the power of the government be limited by law if the citizens are to be free—that too was known to Plato and Aristotle—but it must be limited by other powers. It must be regarded as but one of those social forces upon whose equilibrium a free society depends. When the state overgrows itself, the attitude of the anarchists becomes, within sensible limits, relevant and right; just as when the bankers swell up and presume to run a country, the attitude of the Marxists, barring their claim to universal truth, is right.

The last forty years of American history provide an excellent example of the manner in which developing facts demand flexibility in the fighter for freedom. During twenty of those years the fight was against something which may, for purposes of convenience, be called "Wall Street" or "Big Business." Nobody who engaged in the struggle to unionize the steel workers, or in the strike against the Rockefeller interests centering in Trinidad, Colorado, or who backed the Industrial Relations Commission of 1913-15, or the congressional investigation that called old J. P. Morgan on the carpet, need feel that his efforts were wasted. They were directed against the main enemy of freedom.

But that enemy has been defeated and the battle won. Around 1930 the United States government began telling the financiers and captains of industry, instead of asking them, what to do.

Turning Point in U. S. History

I was informed by one of the biggest of these captains that the change occurred in the presidency of Herbert Hoover. He related to me how, at the beginning of the crisis of 1929, Hoover summoned to the White House the heads of fifteen or sixteen dominant industrial and financial institutions, and while they sat listening respectfully, told them that in spite of the break in the stock market, which would indicate a contrary policy, he wanted them to continue their expenditures for expansion and increased business. To use my informant's words as well as I can remember them: "We filed out obediently and went home and did what he told us to. And that night I made a note among my private papers, 'This day marked a turning point in the history of the United States.'"

The changing power-relations indicated in that meeting were carried to completion in the ensuing twenty years. The labor unions, or their officialdom at least, rose to the position of a major social force. In alliance with them the government took over the power from "Wall Street" or "Big Business" or the "Economic Royalists."

Stuart Chase, a pretty sharp-eyed referee in these battles, announced the victory in 1942. "Big Business," he said, which "dominated the official government, both federal and local, in the 1920's," has, since the depression "retired to the sidelines, and in some cases to the doghouse." The talk about "voracious bankers, outrageous profits, Sixty Families, greedy imperialists, wicked tycoons [is] on the futile side, if not approaching pure nonsense." The class struggle doctrine has been twisted by "the march of history" into "a hopeless wreckage."

These lines, besides describing the facts with not too much exaggeration, expressed a general conviction among what Chase calls "socialist liberals." But neither he nor they realized what this meant, or should mean, to those interested in a free society. Instead of seeing and defining the new menace of overgrown power, ensconced now in Washington, not Wall Street, they went right on fighting the defeated enemy and boosting the victorious power.

"The American community must submit to government and discipline if it is going to survive," Chase said. "There is no path to the nineteenth century and the old frontier." In war and peace we must have a "strong government," "a strong executive arm." "As a people we had better start tomorrow morning identifying the federal government at Washington with ourselves . . ."

This disaster need never have happened, had there been a general understanding of the conditions of freedom. The best of the "socialist liberals" are leading us in the direction of the slave state only because they have the idea of a fixed destination, and don't know where else to find it. Nothing is fixed; there is no destination. The task is to keep pace with history. The ideal is not peace but balanced conflict. Detached idealists of freedom should regard themselves as a mobile force in defense of the social equilibrium. Their aim at all times should be to prevent the domination of society by any one organized idea or power.

CHAPTER V

Replacement for the Dream We Lost

IT WAS natural that idealistic people who had ceased to believe in heaven should think up some bright hope for humanity on earth. That, I think, more than any objection to "capitalism," accounts for the spread of the socialist dream, especially in Anglo-Saxon countries. During the nineteenth century, "capitalism" so-called raised the real wage of the British worker 400 per cent; the average real wage of the American worker rose, between 1840 and 1951, from eighteen to eighty-six cents an hour. A good fairy could hardly have worked faster. Of course it was not "capitalism" that did this; an abstract noun can't do anything. It was just the spontaneous way of producing wealth with elaborate machinery and a high division of labor.

The word "capitalism" was invented by socialists for the express purpose of discrediting this natural behavior, and apart from the contrast with their dream it has no precise application. We should talk more wisely if we dropped this facile abstraction altogether, and made clear in each case what, specifically, we are talking about.

Especially we should invite down to brass tacks anyone who tells us "capitalism is doomed." That sonorous maxim is an intellectual scarecrow set up by socialists to frighten those who have wakened from their dream and are trying to find the way home to reality. It is just the same dream turned inside out. Even George Orwell, who depicted so brilliantly the horrors of what he called "oligarchical collectivism," was deceived by this maneuver. He was on the road home, but found these solemn words in his mouth: "Capitalism itself has manifestly no future." Meaningless words! And so he turned back, and died gazing at the dream, now mournfully dubious on the far horizon, that some other kind of collectivism besides oligarchical might come to be.

"I can't see any other hopeful objective," was the extent of his enthusiasm for the cause.

"Letting Go of an Idea"

It is not easy to let go of an idea around which one has organized a lifeful of emotions. On all sides one can see the lax yet still grasping logic of minds that once had a firm and flourishing hold on socialist belief. They are mainly concerned now to save face with their own pride. Somehow to keep the word and the feeling after the *plan* is abandoned—that inwardly is their problem.

It was tackled long ago by Georges Sorel with his doctrine of the "social myth"—an idea not valid, but necessary to set the masses in motion. Then came Hendrik de Mann with his discovery that "the present motive, not the future goal, is the essential." And now Sidney Hook finds "the day-by-day struggle for human decency and a better social order . . . more important than the 'ultimate' victory of a total program." Norman Thomas, in his rather pathetic *Democratic Socialism, A New Appraisal* (1953), throws overboard everything that gave distinct meaning to the word socialism, but continues to drive along in the old bandwagon with the name printed on it in large letters. "Socialism will do this. . . ." "Socialism will do that. . . ." he prophesies, naming a variety of moderate reforms, forgetting that according to his new appraisal socialism is nothing but a collective name for these same moderate reforms. Ethically, to be sure, it is something more—a society in which the spirit of mutual aid predominates over that of competition—but how does that differ from what he preached as a Christian minister before his conversion to socialism?

Another scheme for backing part way out of the real meaning of socialism is to bring it all down to supporting the cooperatives—a good thing to support, for they by-pass the state. But to be socialist, the cooperatives must aim to comprise the whole national economy, and in that case they would not bypass, but be the state. "The blending of parliament and the cooperative union of Manchester must take place!" cried Ramsay MacDonald in a debate with Hilaire Belloc in the days when socialism meant socialism.

Today everybody is hedging. Even the British Labor party has in the last four years been drifting rather than driving toward socialism. Nationalization was distinctly played down in the election campaign of 1951.

Herbert Morrison, speaking as a party leader in a keynote broadcast, said: "We [and the Conservatives] believe in quite different economic systems. We believe in full employment and the planning necessary for it. The Conservatives do not." G. D. H. Cole, the ardent Chairman of the Fabian Society, wrote in 1949:

"The administration of the few industries that have already been transferred to public management is not yet so satisfactory as to encourage a general adventure into industrial socialization until the difficulties have been straightened out, and more decentralization and more workers' participation in their affairs effectively introduced."

In the days of genuine socialist belief, nationalization and socialization were almost interchangeable terms.

Today "socialization of the nationalized industries" has become a popular slogan among British socialists." The *New Fabian Essays* (1952) compared with the old as the knitting of a tired grandmother with the sprouting of a plant. Three of them, as Clement Attlee concedes in a preface, "deal with the problem of making democracy effective in a society where managerial autocracy is an increasing danger." With that danger increasing, the zeal for a "gradual approach to socialism" is naturally in sad decline. The wonderful merits of gradualness are no longer so obvious.

"Socialism Was a Mistake"

It is better to be courageously humble about this and admit frankly that socialism was a mistake. An hypothesis proven false, I call it for my own pride's sake. But whatever we call it, let's get it out of the way of our minds. We have the task of thinking out modes of dedication to a brighter future for mankind that will not lead into the deepest pit of darkness.

One thing we might do is to narrow the scope without tainting the quality of our idealism—narrow it, I mean, both in time and space. Perhaps it is a little grandiose to undertake to mold all history and a whole planet on the lines of our ideal. Perhaps we are slightly infatuated these days with globalism and historicism. I think in the future a good many people who were, or might have been, socialists are going to take a neighborhood for the scene of their effort, or some single measure of assured benefit to mankind for its scope. And I am not sure they won't be the happiest, as well as the most useful, of these idealists—provided they can avoid the

. . . "The basic error in the whole century-long blunder has been a crude and foolish conception . . . of human nature. . . . We Socialists were, I think, profoundly wrong to ignore the depth and generality of the drive toward property. . . . Ownership is not a mania, but a robust instinct"

prying and authoritarian self-righteousness of the professional do-gooder. Real progress is piecemeal, and perhaps it would move faster if each community, or each generation, were to bite off a relatively small piece. Alexander Herzen remarked a century ago (as though foreseeing the Bolshevik debacle): "A goal endlessly remote is not a goal, if you please, but a hoax. The goal must be nearer. The goal for each generation is itself."

However, such wisdom is no substitute for the dream of a future paradise on earth. We have a right to dream. We have a right to make a big try. Only our dream must not be inconsistent with present measures that we can see in a shorter perspective are good. We must make sure that while we think we are marshaling mankind for a "leap from the Kingdom of Necessity into the Kingdom of Freedom," we are not actually leading him down the old well-paved road to serfdom. In short, if we are going to dream, let's dream in the right direction.

"A Fair and True Society"

Taking human nature as it is, and accepting the indubitable necessity of private property and a competitive market if men are to be free, what should be the leading feature of a fair and true society? Here I am afraid that, besides lowering our banners, we shall have to creep back somewhat ignominiously into our belligerent past, and confess that one of our most triumphed-over opponents was right.

Indeed I do not know any argument in opposition written during the high tide of socialist propaganda more precisely right than Hilaire Belloc's *The Servile State*. His prophecies have an accuracy that seems almost uncanny when you reflect that they were published in 1912—so long before two world wars reminded us what men are really made of. He asserts categorically, as though he had lived through it, that "at its first inception all Collectivist Reform is necessarily deflected and evolves, in the place of what it had intended, a new thing: a society wherein the owners remain few and wherein the proletarian mass accept a security at the expense of servitude." And he repeats as the kernel of his thesis:

"The Capitalist state breeds a Collectivist theory which *in action* produces something entirely different from Collectivism: to wit, the Servile State."

Although collectivist theory was far from popular at that time, Belloc was aware that the transition to collectivism was going to appear more "practical," and therefore be easier of achievement than the attainment of real blessedness in what he called the Distributive State. He was not an optimist about the Distributive State, but he was categorically sure that no third alternative exists.

"A society like ours, disliking the name of 'slavery' and avoiding a direct and conscious re-establishment of the slave status, will necessarily contemplate the reform of its ill-distributed ownership on one of two models. The first is the negation of private property and the establishment of what is called Collectivism: that is, the management of production by the political officers of the community. The second is the wider distribution of property until that institution shall become the mark of the whole state, and until free citizens are normally found to be possessors of land or capital, or both."

There is a radical ideal here, and a crisp and simple logic, that should give light—if their eyes can still stand it—to those semi-ex-socialists now blindly groping their way out of the maze of Marxian theory and emotion. I can add nothing to it, except my customary reminder that the basic error in the whole century-long blunder has been a crude and foolish conception, or no-conception, of human nature. The socialist idea was dreamed up by intellectual and radical-minded people, who constitute a very small and not typical section of the human race. You might almost describe the socialist movement as an effort of the intelligentsia to put over their tastes and interests upon the masses of mankind. I remember how when I traveled in Russia in 1922, long before I had waked, or knew I was waking, from the socialist dream, a certain thought kept intruding itself into my mind. These millions of poor peasants whose fate so wrings the heart of Lenin have only two major joy-giving interests outside their bodies and their homes: the market and the church. And Lenin, devoting his life selflessly to their happiness, has no program but to deprive them of these two institutions. That is not quite the way to go about the business of making other people happy.

We Socialists were, I think, profoundly wrong to ignore the depth and generality of the drive toward property, and therefore exchange of property, in man. Walt Whitman was profoundly wrong when he said in his famous hymn of praise to the animals: "Not one is demented with the mania of owning things."

The Instinct for Ownership

Ownership is not a mania, but a robust instinct extending far and wide in the animal kingdom. Even the birds stake out with their songs an area that belongs to them, attacking fiercely any intruder upon it. Less lyrical beasts serve notice by depositing distinctive odors on the boundaries of their domain. People who keep watchdogs can hardly deny the range and ferocity of the proprietary instinct. It was fully developed even among the nomads with their tents of different sizes. For settled and civilized man, there can never be a paradise, I fear, or even a sane and peaceful habitat, where this deep wish is unsatisfied. It has been neglected in utopias because their authors were guided rather by the Christian evangel of sainthood than by a study of the needs of average men.

It is not easy in America, where mass production has crowded people into vast industrial cities, to imagine each citizen as a landed proprietor! The dream is easier in Switzerland where factories are scattered through the country and average industrial workers quite normally own a home and a plot of ground. There is plenty of land here, however, and good reason, if only in the atom bomb, for scattering factories through the country.

I see no reason why this more enchanting aspect of the distributive state should be ultimately and forever unattainable. And that free American citizens should normally be found possessors of capital, or property in the means of production, seems to me not only possible, but, granted two conditions are met, in the long run probable.

One of those conditions is that the idea of collective owner-

. . . "I was deceived about Russia. I was deceived about Lenin. I was deceived about the socialist movement"

ship, and all the distortions of fact which it produced in the minds of democratic idealists, be heartily abandoned. Most vicious of those distortions is the belief that "capitalism" imposes an "increasing misery" upon the working class. It is not enough to recognize, as all now do, that this Marxian prediction which rested on nothing but Hegelian dialectic, was false.

We must recognize that the extreme opposite is true. Though it led off with the new-fashioned sufferings described by Marx in *Das Kapital*—not greater in degree, but different in kind from what had preceded—the market economy he thundered against has, in its full development, lifted the toiling masses of mankind to levels of life never dreamed of in all past history. It is only the habit of comparing reality with perfection instead of with what is possible, a habit proper to juveniles and fanatics, that blinds us to this. Whether or not it is true, as Von Mises asserts, that "capitalism . . . deproletarianizes all strata of society," it is at least true that it makes possible their deproletarianization.

Let us suppose that the rate of increase in real wages mentioned in my first paragraph continued for another hundred years. And let us suppose that throughout that new hundred years the radical idealists replaced their old zeal for collective ownership with as burning a zeal for universal individual ownership. Is it fantastic to imagine that they might bring on the day when "free citizens are normally found to be possessors of land or capital or both?" They would not at least, because infatuated with perfection, abandon the road of the general rise of income which makes such a thing possible. They would be dreaming in the right direction.

The identical dream, by the way, is proposed as an immediate political program by the German-Swiss economist, Wilhelm Roepke. "If there exists such a thing as a 'social' right," he says in *Civitas Humana* (p. 257 of the French edition), "it is the right to property. And nothing better illustrates the confusion of our epoch than the fact that up to now no government, no party, has inscribed this device on its banner. If they think it would not be a success, we believe they are profoundly mistaken."

In my opinion, however, no dreams whatever, and no plans even for a slightly better society than we have, will be realized unless the rise in wealth production is matched by a decline in the production of people. We shall have to go back farther than Belloc, we who have broken with socialism in the radical way we espoused it. We shall have to go back to Malthus, who perceived before socialism was born, the basic fact which foils all dreams of a just and generous society. There are too many people in the world; their number, when conditions are favorable, increases too fast. One of the worst effects of the Marxian religion of salvation by economics was that it swept this biological truth out of the minds of reformers and revolutionists alike. It belongs at the top of humanity's agenda.

In a book called *The Road to Abundance*, which I helped a chemical genius, Dr. Jacob Rosin, to write, the opinion is advanced that synthetic chemistry, or rather physico-chemistry, can solve all man's problems, including this one of population, by making him independent of both plant and mine. It is an exciting book with vitally important things to say. But I have my reservations about it—especially on this population problem which, even if all Dr. Rosin's other prophetic visions came true, would only be postponed.

There are many truths in this book which I have been lamentably slow to discover, but this I am happy to say is not one of them. From the beginning of my days as an agitator for socialism I warned of the priority of this problem. At the height of the exaltation of belief caused in me by the Bolshevik Revolution and a first glimpse of the writings of Lenin, I wrote:

"In Lenin's discussion of means for increasing the productivity of labor, I miss a reference to the means of decreasing, and intelligently controlling, the production of people. . . . The socialist movement will surely before long awake to the enormity of the population problem, and I can not but wish the awakening might be now, and in Russia, where the tendencies of the movement in the immediate future are to be crystallized."

I was deceived about Russia. I was deceived about Lenin. I was deceived about the socialist movement. It never did awake to the importance of this problem. Such problems lie outside the universe of discourse in which socialism draws breath. As I have awakened from socialism, however, the problem has loomed steadily larger to me, and I must say, darker. It has been lightened in recent years by the anxious attention that has been drawn to it both among political scientists and among those engaged in physiological research. The Report on "The Determinants and Consequences of Population Trends," published by the United Nations on May 3, 1954, was a grim reminder of what is in store for us if we do not confront it.

A great hearty and worldwide campaign of education might, it seems to me, after a long time, reverse the fatal trend of the statistics. Next to defending the free market, that seems to me the most important task that one still actuated by the wish for a more ideal society and still radical—radical enough to tear up the blueprints and begin over—could undertake.

More goods and fewer people is the slogan I should like to see carried at the head of humanity's march into the future.

CHAPTER VI — The Delinquent Liberals

THOSE who cling to socialism often say that we who have let go are suffering from shock at the murderous outcome of Lenin's seizure of power in a backward country. Having never backed Lenin, they are immune to this hysterical reaction and are calmly awaiting the emergence of socialism in its proper time and place. It is true that the horrendous results of Lenin's experiment in state control—and no less Hitler's—have influenced our judgment. They have reminded us of certain hard

. . . "The worst enemy of human hope is not brute facts, but men of brains who will not face them"

facts of human history that in our infatuation with an ideal we had forgotten. And who will deny that the reminder has caused painful emotion? Who will pretend that, having watched at the cradle of a "society of the free and equal," and seen rise out of it the most absolute and bloody tyranny that history has known, he did not experience a devastatingly sad surprise?

I must testify, however, that I was more surprised and saddened by the reaction to that tyranny of liberal minds in free countries than by the tyranny itself.

The "Soft-Headed Idealists"

I had never looked for purposive intelligence to our American liberals and humanitarian reformers. Although socially in the old days the line between us was not firmly drawn, we were separated emotionally and intellectually by my belief in progress through working class struggle. Kidding the *New Republic* of Herbert Croly and Walter Lippmann from a class-struggle point-of-view was one of my pleasant pastimes as a socialist editor. The *Survey* and Villard's *Nation* I liked better, but I thought of them too as theoretical opponents. I called the editors and adherents of these papers "soft-headed idealists," by which I meant people who use their minds to mitigate the subjective impact of unpleasant facts instead of defining the facts with a view to drastic action.

> Mind's task is not to blur the real
> With mimic tints from an ideal,
> But change one into the other by an act.

There occurred no change in my feeling on this subject when I abandoned the idea of proletarian revolution.

I still think the worst enemy of human hope is not brute facts, but men of brains who will not face them. For that reason I had no high expectations of the liberal intelligentsia when it came to acknowledging that the "revolution of our times," as so far conceived and conducted, is, has been, and will be, a failure. I never dreamed, however, that they could sink to the depths of maudlin self-deception and perfectly abject treason to truth, freedom, justice, and mercy that many of them have reached in regard to the Russian debacle. That has indeed profoundly, and more than any other shock, whether emotional or intellectual, disabused me of the dream of liberty under a socialist state.

If these supposedly elevated and detached minds, free of any dread, of any pressure, of any compulsion to choose except between truth and their own mental comfort, can not recognize absolute horror, the absolute degradation of man, the end of science, art, law, human aspiration, and civilized morals, when these arrive in a far country, what will they be worth when the pressure is put upon them at home? They will be worth nothing except to those dark powers which will most certainly undertake to convert state-owned property into an instrument of exploitation beside which the reign of private capital will seem to have been, in truth, a golden age of freedom and equality for all.

To that much emotional shock I plead guilty. But I do not want to leave it there. Many of these delinquent liberals were my friends in past years despite our differences, and I find myself continually puzzling over the problem of their motivation. Why have they betrayed themselves? Why do they promote the interests of a regime under which even they, traitors to democracy though they are, would be shot for half-heartedness, or permitted to die of starvation in a slave camp for having in the past believed, or thought they believed, in freedom?

Up to the Bolshevik Revolution it is not hard to understand what happened to them. The old liberal movement grew out of the struggle against absolutism and feudal oppression. The freedom fought for in that struggle included free trade as a matter of course. But free trade and the industrial revolution soon raised the general wealth so high that idealists began to worry about the living conditions of the poor. Those living conditions were not, in the general average, worse than they had been. The change was in the attitude of civic-minded people toward them. It is not too much to say, as the canny Norwegian, Trygve Hoff, does, that a social conscience was born of this great rise in wealth production.

The first sensible step toward bettering the general condition of the poor would obviously have been to increase still more the production of wealth. Then if the pangs of the social conscience had kept pace with this increase all might have been well.

What these pangs did was to run way ahead of the increase in wealth. People were attacking the businessman and demanding a better distribution of profits long before such distribution would have made any appreciable difference in the general condition of the poor. As wealth production increased, this state of pained conscience among liberals—themselves businessmen often enough—increased much faster. So fast that their zeal for liberty was gradually replaced by a zeal for a more equal distribution of wealth. Their liberalism became almost indistinguishable from humanitarianism. And this change of mind and mood among liberals was certainly not retarded by Marx's doctrinaire announcement that their interest in freedom had been a fake all along: capitalist profits, not human rights, had been the goal of their struggle against absolutism; their great revolution had been "bourgeois," not democratic.

They still talked the language of liberty—so also did Marx—but their dominant drive was toward a more even-handed distribution of the unheard-of wealth that, under a regime dominated by the idea of liberty, had been piling up.

Decline of British Liberals

The culmination of this change was, in England, the decline of the Liberal party, the seeping away of its membership into the Labor party with its promise to expropriate the capitalists, and in the United States the transformation of the old liberal press into organs of the New Deal—the government of settlement workers become militant, not in the cause of freedom, but in the battle against "economic royalists." The whole development is summed up in the contrast between Benjamin Franklin's:

"Those who would give up essential liberty to purchase a little temporary safety deserve neither liberty nor safety," and Harold Laski's: "Those who know the normal life of the poor . . . will realize well enough that, without economic security, liberty is not worth having."

This much, then, must be said in defense of the delinquent liberals. The edge of their passion for freedom had been growing blunter for decades before the rise of totalitarianism put

. . . "This much, then, must be said in defense of the delinquent liberals. The edge of their passion for freedom had been growing blunter for decades before the rise of totalitarianism put their loyalties to a test. It is not only freedom that they betray, however, in apologizing for the Soviet tyranny, or pussyfooting about it, or blackening America so savagely that Russia shines in unspoken contrast. They are betraying civilization itself"

their loyalties to a test. It is not only freedom that they betray, however, in apologizing for the Soviet tyranny, or pussyfooting about it, or blackening America so savagely that Russia shines in unspoken contrast. They are betraying civilization itself. They are lending a hand in the destruction of its basic values, promoting a return march in every phase of human progress. Reinstitution of slavery, revival of torture, star chamber proceedings, execution without trial, disruption of families, deportation of nations, massacre of communities, corruption of science, art, philosophy, history, tearing down of the standards of truth, justice, mercy, the dignity and the rights of man—even his right to martyrdom—everything that had been won in the long struggle up from savagery and barbarism.

How shall I acount for this depraved behavior—for that is how it appears to me—on the part of friends and colleagues who were once dedicated to an effort to make society more just and merciful, more truth-perceiving, more "free and equal" than it was?

"Campaign of All-Russian Lying"

They shield themselves from facts, I suppose, by a biased selection of the books and newspapers to read. Many violent conflicts of opinion come down to a difference in reading matter. And this is especially so in the case of Soviet communism, for it has been put over with a campaign of All-Russian and International Lying whose extent, skill, efficiency, and consecration is almost harder to believe in than the truth it conceals. Indeed the distinction between truth and the exact fabrications handed down for propagation by the heads of the world party in the Kremlin has disappeared very largely from the minds of its members. Until one has grasped this phenomenon in its full proportions, and learned to distinguish the sincere truth-teller from the sincere lie-teller, it is not easy to be hard-headed about Soviet communism. That too may be advanced in defense of the delinquent liberals—they are the victims of a swindle which nothing in past history had prepared them to detect.

A great many of them, however, are not deceived, but are swallowing the horrors of life under the Soviets with open eyes and a kind of staring gulp that is more like madness than a mistake. In the effort with their soft heads to be hard they have gone out of the world of reasoned discussion altogether. Again I will take the late Harold Laski as an example.

No anti-communist has more candidly and crushingly described the blotting out of civilized values and all free ways of life by the Russian Soviet state than he did; and yet no pro-communist has more vigorously defended that state, or brought more intellectual authority to its support.

There must be, I suppose, in all the delinquent liberals, a repressed conflict between the impulse to speak those truths that are important to man's civilized survival and the more compelling thirst for a comfortable opinion. In Laski, because of some strange and perhaps bumptious quirk in his nature, this conflict was not repressed, but was naively or insolently blared forth. I met him for the last time in a debate on the "Town Meeting of the Air" September 19, 1946. Knowing about this conflict in his soul, I brought with me, typed out in condensed form, the passage from his *Reflections on the Revolution of Our Time* in which he most eloquently describes the horrors of life under the Soviet communist regime.

In the course of the debate, I made a remark about the crimes of the Russian Communists, and Laski replied: "It's no part of my case that Russia hasn't committed crime and been guilty of grave blunders and committed inconceivable follies; so has the United States, and so has Great Britain."

In answer, I said: "I'm going to read you from Laski's own book some of the crimes that have been committed in the Soviet Union, and you see if any of them have been committed in the United States or England." I then read this passage from Laski's book, or as much of it as I could crowd into the time granted me.

"Despite the pledges of the Constitution of 1936, there is no freedom of speech, except for Stalin's adherents, no freedom of the press or assembly. Everyone knows that the elections are a farce; no candidatures are possible which reject the party line, and even the ballot-papers for them read like a hymn to Stalin. Freedom of movement is gravely restricted. Contact with foreigners is looked upon with suspicion. There is arbitrary arrest; there is long imprisonment and execution without trial. Citizens can not travel abroad without the permission of the government. Most political offences are tried in secret; there is no writ of *habeas corpus*, no right to subpoena witnesses, no right to a professional defence. The death-penalty may be imposed for injury to, or theft of, collective property; and even 'teasing, mocking, or persecuting' a shock-worker may, under Article 58 of the Criminal Code, become 'wrecking,' and so punishable with death."

The moderator interrupted me and asked Laski: "Do you care to comment?" And Laski, spreading his hands in a gesture which my friends in the audience described as sickly, answered:

"No."

On Soviet Economics

Laski did have, of course, a scheme for convincing himself that in a nation so chained and trampled by power-lustful and unbridled masters of the state, the Revolution of Our Time is bringing to birth a new age of freedom and humane reform. He accomplished it by opposing the words "economic" and "political" as though they designated things happening on different planets. While the above listed horrors filled the sphere called politics, the sphere called economics, he asked us to believe, was brimming with sweetness and light. I quote, also with condensation, from the same book:

"In the narrow economic sphere, there is a more genuine basis for economic freedom for the masses in the Soviet Union than they have elsewhere previously enjoyed . . . Millions, in every field and factory, help to make the conditions under

. . . "Another and cruder motive undoubtedly swung many once refined liberals into the camp of the brutalitarian tyrants. That is an underlying irresistible wish to associate themselves with power"

which they live. There are the effective beginnings of constitutional government in industry. The rules of an enterprise are not made at the discretion of an employer who owns it, but are genuinely the outcome of a real discussion in which men and management participate . . . Care for the health, sanitation, and safety of the workers in field and factory has been established at a pace which would have been unthinkable in any capitalist society. . . . The administration of justice (political offences apart) . . . is on a level superior to that of most other countries. . . . Bench and bar alike have a more active and sustained interest in the improvement of legal procedure than anyone has displayed in Europe since Jeremy Bentham."

It is obvious that no man thinking about concrete facts could put these two passages into the same book and chapter. How can it be that in a country where "there is no right of *habeas corpus*, no right to subpoena witnesses, no right to a professional defence," nevertheless "the administration of justice (political offences apart) is on a level superior to that of most other countries"? What jocular Deity brings it about that while death may be the penalty for teasing another worker, nevertheless "care for the health, safety and sanitation of the workers" outruns all previous norms?

How does it come to pass that where "elections are a farce, freedom of movement is restricted, there is arbitrary arrest, imprisonment and execution without trial," nevertheless "there are the effective beginnings of constitutional government in industry . . . and millions help to make the conditions under which they live"? Would these millions not be more likely, in a real world, to establish the beginnings of constitutional government by making the rules under which they can be dragged out and shot?

That this artificial division of society into two halves, political and economic, in which opposite things are taking place, should have been put before us with obeisances to "Marxism," was a prodigy of intellectual acrobatics. Marx might be said to have spent his life trying to forestall this shallow dichotomy.

But Marx or no Marx, any man of hard sense knows that the Russian people are not being subjected to those hideous political repressions for their own good. It is not to bring in the Kingdom of Heaven that the masters of the state have locked the population in this toothed vise.

I dwell upon this unreal notion of Laski's because I think it exposes in a raw and yet elaborated form what has happened in the minds of many of the pro-Soviet liberals. They are not totally blind to the monstrous things that have happened in Russia, but they have reasoned their way to a point of tranquil acquiescence by means of this nonsense about political versus economic.

An Alibi for Treason

This too, then, must be said in behalf of the delinquent liberals: they had a rationalization, a cerebral alibi, so to speak, for their crime of treason against civilization. They managed to draw the whole thing up into their heads where it did not seem so bad.

It is significant that while the pro-communist liberals apologize for the *political* enslavement of the Russian people on the ground that they are *economically* free, the pro-socialist liberals make an opposite use of the same artificial distinction. They tell us that *economic* enslavement will not deprive us of our real freedom, which is *political*. Philip Rahv in the *Partisan Review*, defending the British socialist regime against the assertion of Dos Passos that "personal liberty has been contracted in Great Britain," said: "The evidence cited by Dos Passos shows that the contraction he speaks of has occurred solely in the economic sphere. Socialists, however, do not consider the right to buy and sell as one pleases to be a significant part of the heritage of freedom." Stuart Chase took the same line in defending a state-planned society, and to them both Friedrich Hayek made the obvious and conclusive answer: "Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends."

It hardly requires a Marx or a Hayek, however, to reveal the unreality of this dichotomy. It is clear to all who possess "the faculty to imagine that which they know." And I often think that the lack of this faculty or habit, so justly praised by Shelley in his *Defense of Poetry*, is one of the main causes of the delinquency of the liberals. They are predominantly intellectual—and are not intellectuals in general, even when originally moved by sympathy, strangely heartless and conscienceless through the very fact that they make a habit of abstract thinking?

A phrase like "workers and peasants," or "kulaks," or "prison camps," or "execution without trial," becomes a bloodless pawn which they move about on the cerebral blueprint of a schemed-out world with as little sense of the human hearts and bodies designated by it as though they were playing a game of chess. This enables them to go on calling themselves "left" and "liberal" after all the original meaning except to their own self-esteem has been drained out of those terms.

When Liberals Want Power

Another and cruder motive undoubtedly swung many once refined liberals into the camp of the brutalitarian tyrants. That is an underlying irresistible wish to associate themselves with power. Their early ideals had made spiritual rebels of them in their own country. They were commonly not only against the government and the "vested interests," but in a condition at least of mild demur against the whole established hierarchy of persons and values. To the thinking mind this was valid and exciting, but to mere organic tissue it was a hard attitude to keep up for a lifetime.

All human history testifies to the strength and generality of what may be called the hierarchical instinct. Students of comparative psychology have found it to prevail rigidly even in so pre-human a society as is to be found in the henyard. The caste system in a colony of jackdaws, as described by Konrad Lorentz in his book, *King Solomon's Ring*, throws astonishing light on several traits and institutions that we think of as peculiarly human—particularly the disposition to recognize the elite, to fall in line comfortably under those having the prestige of superior power. Its roots seem to be as deep, almost, as the impulse to form a society. Surely this trait can not be ignored in trying to assess the causes of the cultural disaster that I am discussing.

Dwight MacDonald, speaking of a liberal whose delinquency was transitory and need not be advertised here, says: "The spell of communism for people like him seems

. . . "I believe that the wish to be called radical and regarded as belonging to 'the Left' is a further cause of the treachery to civilization of many liberals"

to have been that at last they could identify themselves with power without feeling guilty. His political language, in America a despised minority dialect, was now spoken throughout a sixth of the globe. A vast international movement backed by a powerful government was going his way—or seemed to be."

Whatever may be the inner truth about the individual in question, the acuteness of this comment on the great wave of enthusiasm for "the proletariat" that struck our liberal intelligentsia in the early thirties, can not be denied. Why did not this wave arise in the early years of the Bolshevik Revolution, when, although violent and brutal deeds were done, they were unsystemized and unusual, and were matched by heroic strides toward ideal reform in almost every phase of life? Hardly a single one of the noted liberals who came so boldly to the defense of Stalin's matured and hardened totalitarian police state had a good word to say for the regime of Lenin and Trotsky. There was a hazard then. Later there was a settled and secure new form of power. It is hard to escape the conclusion that in the depth of them that is what they wanted.

Still I do not think this trait, or all the above traits together fully explain the treachery to civilization of so many distinguished minds in this crisis of man's history. They had not all lost their passion for freedom; they did not all fall for the lie campaign, or swallow the politics-versus-economics moonshine; they are not all excessively cerebral, or swayed by the primitive adoration of power. I think probably the most general explanation lies in a kind of spiritual cowardice.

Life is a battle; it is a battle without any final or assured victory, and these aspiring idealists lack the pluck to go down fighting it. Bereaved of other-worldly goals, they have been yearning for some home, some certainty, some Absolute on earth, if it is only the absolute parody of their dreams. And that is about all there is left of the Soviet heaven after they get through listing the qualifications in their adoration of it.

The extent of these qualifications makes plain the selfishness of their mental condition. With all their brains, they can not draw the inference that any casual man who cares about other people even a little bit must draw from the continuing horrors suffered by millions of simple-hearted, honest folk under the Kremlin's lash. They can not do it because it would cause a pain in their own safe bosoms. They would have to know, then, that the world is just as bad as it is, and just as fluid too. There is no end-term in the fight to better it.

CHAPTER VII

What to Call Yourself

ALTHOUGH it seems sad that intelligent creatures can be so childish, I believe that the wish to be called radical and regarded as belonging to "the Left" is a further cause of the treachery to civilization of many liberals. It is not concrete goods or values they are defending, but a name, and a status corresponding to it, in the hierarchy of political emotions. They fail to realize, or do not wish to, a fact which Thucydides remarked upon two thousand years ago: that in times of revolutionary upheaval words are forced to change their meanings. In discussing this, and other more bloody violences committed by revolutionists, Thucydides lays the worst blame upon "men who entered the struggle not in a class, but in a party spirit."

The remark is peculiarly relevant in our times because the first and most fundamental violence against language committed by the Marxian revolutionists was to make *class* mean *party*. Marx with his cryptic remark that "philosophers" instead of understanding the world ought to change it, and Lenin with his more lucid assertion that the workers can not of themselves arrive at a socialist consciousness, it has to be brought to them by "bourgeois intellectuals," prepared the ground for this operation. The term "working class" was detached from the actual workers and attached to a party of believers in the Marxian theory about what the workers were going to do.

This innocent-looking maneuver set the style for such etymological atrocities as calling it "liberation" when the Red Army marches in and arrests, jails, rapes, deports or shoots 30 per cent of a nation's population, and pinning upon the resulting perfect tyranny the name of "People's Democracy."

These crude tricks of demagogues can with a trifle of ingenuity be seen through. But they are only an artful exaggeration of natural tendencies that are more slow-moving, more subtle, and more dangerous to the life of truth.

The word "left" has, over the last hundred years, gone through a change quite as complete as that suffered by "liberation" and "democracy" between Lenin's arrival at the Finland Station and Stalin's extension of power to Eastern Europe and Asia.

In its beginnings, in the democratic revolutions of the eighteenth and nineteenth centuries, this word designated the people and groups who stood for the individual and his liberties as against the "constituted authorities." In the French National Assembly of 1789, the nobles still commanded enough respect to receive places of honor at the right of the speaker, and the radicals naturally drew off as far as possible to the other side. Seats in the center remained for those having temperate views and emotions.

In many European parliaments the precedent thus established was continued, and a distinction which had been specific and ceremonial became universal and political. The nobles were soon outside the building, but still on the right.

. . . "The word 'left' has come to mean right and the word 'right,' left"

The absolutists of individual freedom, the anarchists, were outside too, but they were the "extreme left."

Whatever may have been the individual exceptions, there was little doubt about the meaning of these two terms. In Europe especially their connotations were extensive and very rich.

"Right" and "Left" in Europe

The "man of the Right" was characterized in general by a taste for uniforms, badges, and emblems of hierarchical distinction. The "man of the Left" liked a plain suit of clothes, and the farther left the plainer and simpler, until you reached the soft collar and cap and loose flowing tie of the Bohemian rebel. The man of the Right liked titles and ceremonies; he addressed people with careful regard for the distance between them. He revered personages and looked down on mere human beings. The man of the Left shook hands and said hello to everybody, and why not? The man of the Right was for law and order as good in themselves. The man of the Left was for law primarily as a defense of the rights of the citizen and his liberties. The man of the Right was conventional and inclined to respect accepted opinions. The man of the Left was ready to kick over the conventions, and go in for independent inquiry on any subject.

All these traits enriched the connotation of left and right, but most of all, and at the bottom of all, the attitude to the constituted authorities, to the state. "The individual on one side, the state on the other, that is the underlying substance of this contrast," says J. Pera in an engaging essay on this subject.

Now it is clear that not only in their underlying substance, but in all their essential implications, these words left and right have exactly changed places. In America, and I think in all Western countries, a "leftist" is a man unhorrified by the Soviet tyranny and acquiescent in the gigantic overgrowth of the state at home. The restoration in Russia of epaulettes, salutes, emblems, and attitudes of rank, the transformation of "comrade Stalin" first into "Marshal" and then "Generalissimo"—even the adoption of the goosestep in the Red Army—did not disturb his feelings. The reverence for a personage passing almost into obeisance before a god was not revolting to him. He accepted, or found excuses for, a system of law which, instead of defending men's liberties, was focused upon suppressing them, and where it failed of that could be replaced by administrative decrees, or mere decisions of the state police. Conventions made rigid; opinions handed down by infallible authorities; value judgments made obligatory in every field of endeavor; a fixed hierarchy of caste and imposed status in civil and industrial as well as military and political life—all these things were meekly swallowed down.

In short, every judgment and choice, every trait and mode of behavior, that once had given meaning to the word "right" is now supported or condoned by those whom all agree in calling "left" or "leftist."

This would not matter so much if it were clearly and generally understood. But so much of the original magnetism still inheres in the term "left"—some suggestion, at least, of readiness for idealistic adventure—that to have it pinned on them, many once stout-hearted liberals are now actually willing to kneel down at the feet of the unqualified tyrants enthroned in the Kremlin.

The thing is intelligible to me because, having been all my life a man of the Left, and having experienced no inner change or conversion, I find it almost organically painful when someone alludes to my present political opinions as "rightist" or as representing "the Right."

This makes the problem what to do about the reversed meaning of these key terms an acute one to me personally, but I think it is also of public importance. There ought to be some etymological device by which a person still bent on defending the free individual against the encroachments of a morbidly proliferating state can outmaneuver this trick that language and history, without any evil intention, have played upon him.

Perhaps if we think out the manner in which the thing came to pass, some such device will occur to us. At any rate I am going to describe, as it appears to me, the process by which in the last hundred-odd years—that is, since the democratic revolution—the word "left" has come to mean right and the word "right," left.

Modern democracy arose and has gone forward under a banner inscribed with two ideals: liberty and equality. They were combined in our Declaration of Independence. They were combined in the fighting slogan of the French Revolution, which became the motto of the French Republic. They are combined in all properly constituted Fourth of July orations. The phrase "free and equal" has been almost as current in America as the word democracy itself.

To our forebears these two words had much the same meaning. Freedom meant electing your own government by popular vote; equality meant that each citizen has one vote. Freedom meant the rule of law; equality meant that all men are equal before the law. Freedom meant that there should be no publicly recognized social barriers; equality meant the same thing. There was no confusion here because life was simple, the earth roomy, and the talk mainly about politics. But when life became complex, crowded, *industrialized,* and we began to think in terms of economics, an inherent conflict between these two ideas emerged.

It is quite obvious that if men are economically free, even in no absolute sense, inequalities will develop among them. And conversely, they can not be held to economic equality, or anything approaching it, without forcible restraints.

It was the Socialists who brought in the idea of extending democratic ideals to the economic relations of men, and it was Marx who made this idea look practical, and indeed inherent in the natural development of economic relations. He proposed to make equality economic by abolishing the competitive market, and having all wealth produced and distributed by the state. Freedom, he promised, would follow of itself. After a transitional period of dictatorship, the state would, in fact, "wither away."

Marx's "Classless Society"

With that notion of a "transition" to the withering away of the state he concealed the inescapable head-on conflict between liberty and equality. He concealed the fact that, as between the two, he had chosen equality, not liberty—a classless society, to use his term—and was prepared to let the state do what had to be done to bring it into being. He concealed from the Left, or at least a major part of it, that he was a man of the Right—a Hegelian state-worshipper in his training, and in his instincts, as Bakunin described him, "a bourgeois through and through."

I do not mean to imply that Marx consciously concealed these facts, or that he was hypocritical about the withering

. . . "Our extreme democrats . . . are still to their own thought on 'the Left,' but their tolerance of centralized authority, of state rule over the will of the individual, exceeds, in many cases, that of the extreme right in the days when those terms first acquired a political meaning"

away of the state. He believed in his wishful thought system with all the ardor of the typical German metaphysician. Lenin also believed in it. No one can read his pamphlet, *State and Revolution*, published on the eve of the October revolution, and his "program address" to the Soviets six months after it, and have any doubt of his sincere faith in the promises of the dialectic universe. But he too was by temperament, except in his social habits, a man of the Right, a zealot of centralized authority and allegiance to it. In the heroic days of the seizure of power he rallied to his banner of transitional dictatorship the Left Social Revolutionaries, and even a few anarchists.

But they soon saw what an instrument of regimentation, and what a regimented instrument, his party was. They withdrew and watched with dismay—those of them who were not imprisoned or executed—while he laid the foundations of a party-state which should become more meticulously authoritarian, and more contemptuous of the individual man and his freedoms, than any other regime in history.

Why Freedom Is Economic

I am, of course, greatly simplifying a complex ideological development. The thought of the Marxists was that political freedom meant freedom only for the exploiting classes, and their motive was to make all men *equally free*. But while this resolves in abstract logic the conflict between the two ideals, in practical action it resolves nothing, for the base of all freedom as now conceived is economic. It is economic equality—equality in relation to the all-determining enterprise of wealth-production—that is to "set the proletariat and therewith all society free." And this equality, as events have a thousand times proven, can not be established or maintained without newly devised, widespread, and violent restraints.

With all the metaphysical casuistics, dialectic incantations, and earnest economic lucubrations he brought to the support of it, Marx's "society of the free and equal" is a contradiction in terms. In no conceivable society can men be in the economic sense both equal and free.

The gradual ascent into prominence of this submerged fact is the principal cause, I think, of the automatic change that has taken place in the meaning of such terms as left and right. No serious person outside Russia believes any longer in the withering away of the state. But the shift of attention from freedom to equality that was accomplished by that mythical invention, continues to prevail among our extreme democrats. They still wish, in varying degrees, to extend democracy into the field of economic relations, and they still take it for granted that democracy implies freedom as well as equality.

No one of them has made a conscious choice between the two directive ideas: freedom from state control, and equality enforced by a controlling state. But unconsciously they have—partly under the influence of Marxism, partly of a new secular humanitarianism which replaces the churchly religion—plumped without reservation for the latter alternative. They are still to their own thought on "the Left," but their tolerance of centralized authority, of state rule over the will of the individual, exceeds, in many cases, that of the extreme right in the days when those terms first acquired a political meaning.

This poses a problem for all who prefer freedom to equality as a guiding idea, or who realize that economic freedom is essential to the maintenance of a high level of life. How shall they distinguish themselves in everyday parlance from their opponents on what used to be the Right? The word "left" is lost to them completely. Their natural recourse would be to the term "liberal," which when used historically designates correctly enough the heart of their position, its emphasis on free trade and a free market economy. But in political parlance this good word too is sliding over to the other side. Instead of meaning open-minded toward individual variation and disposed to curb authoritarian interference with it, "liberal," when not modified by a dexterously chosen adjective now means much the same thing as left. It most emphatically does not mean on guard against the spread of collectivist ideas and against state interference with a free market economy.

"To lay the ghost at the outset and to dismiss semantics, a liberal is here defined as one who believes in utilizing the full force of government for the advancement of social, political and economic justice at the municipal, state, national and international levels." Joseph S. Clark Jr., Mayor of Philadelphia, in the *Atlantic Monthly*, July 1953.

A principal reason for this second change, it seems to me, is the optimism about progress prevailing in the nineteenth century and after. The liberals did not fall for the socialist panacea or bother with the myths of dialectic materialism, but they were confident in a less cerebral way that the world was traveling in their direction. Even so analytical a thinker as John Stuart Mill could remark that "a Liberal is a man who looks forward for his principles of government; a Tory looks backward."

"Liberal" Becomes "Progressive"

So it is not surprising that the average man, or at least the voluble man who moulds language, came to think of liberals as open-minded toward the future rather than committed to any present conception of life. To him, in the general atmosphere of optimism, the word meant "ready and eager to fall in with the march of Progress." Indeed the word liberal was at times abandoned—explicitly by the *New Republic*, I remember—and "progressive" adopted in its place.

But now this blind Victorian giant, "Progress," has led us into a tunnel with a black end, and those thoughtfully concerned about liberties have the hard task of turning around and finding the way back for a new start in the light. That is the simple and sorrowful truth. And meanwhile to the above average talker it still seems "liberal," as well as "progressive," to plunge on into the darkness.

Several attempts have been made to find an adjective capable of rescuing this precious word liberal and bringing it back toward its old meaning. Wilhelm Roepke describes the position taken in his admirable book, *The Social Crisis of Our Time*, as "liberal conservatism." In another passage he

. . . "There are . . . 'some two hundred influential personalities in various countries—economists, sociologists, historians, philosophers of civilization, publicists and statesmen,' who stand for 'a renaissance of liberal principles'. . . . It would appear that no single term or convenient phrase has emerged which would distinguish them in popular parlance from Soviet sympathizers or enthusiasts of the New Deal or the British planned economy state"

proposes "constructive" or "revisionist" liberalism; in still another, to distinguish his view from the old narrowly economic one, "sociological liberalism." Granville Hicks has deftly employed the phrase "critical liberalism," but this has a literary quality that will hardly do in politics. In a pamphlet which reaches me from Paris, M. Berger-Perrin calls himself a "spiritual liberal" *(libéral-spiritualiste)* adopting a position akin to that of the publishers of *Faith And Freedom* in Los Angeles.

It is not logical or wise, however, in gathering recruits for an economic and political order that will permit individual variation in all phases of life, to impose an opinion about other than economic and political topics. Other terms employed by M. Berger-Perrin, "realist liberalism," "humanist liberalism," seem to me also, though in lesser degree, to suffer from this defect.

About "Scientific Liberalism"

The term "scientific liberalism," which I find myself employing in conversation with certain sorts of people, is perhaps also subject to this criticism. For me it implies a rejection, not only of the collectivist program, but of the pretense of Marxists that their system of wishful metaphysics is "scientific" as opposed to "utopian" socialism—a hoax that deluded four whole generations of radical idealists. It also conveys, or should convey, the notion of a developing hypothesis rather than a fixed and venerated doctrine. And it states what is certainly true, that man's hopes as a social animal rest in the advancing methods and gradually arriving results of science, not in any new doctrinal obsession or panacea gospel that will start another stampede. However, its technical and laboratorial flavor unfits it for the task we have in mind. To many it would seem, even more than *libéralisme spiritualiste,* to suggest a sect rather than a sensible understanding of things.

There is considerable reaction these days against what is called "scientism" in the study of man. It means a pretentious imitation in dealing with social problems of the ways and methods of the physical sciences. The term is unfortunate, for science is nothing but the persistent and skilled use of the mind, and the stores of human knowledge, about any problem. If its findings are to be valid, they require in every field the same discipline—the discipline of suspended judgment, elimination of the personal factor, patience in the effort to be consistent, a serene passion for verification. The methodological differences are only those dictated by the subject matter. For that reason, after you have classified certain sociological false pretenses as "scientism," you have to undo the work by proceeding to explain that scientism itself "is unscientific in the true sense of the word" (Hayek, "Scientism and the Study of Society," *Economica,* February 1944). It would be better to avoid in the first place that extravagant adulation of mathematical physics out of which the whole difficulty arose. As I read their glib and changeful pronouncements about the size, shape and behavior of "the universe," I feel that there is about as much "scientism" among the physicists as among the rest of us.

There are, according to a recent calculation, "some two hundred influential personalities in various countries—economists, sociologists, historians, philosophers of civilization, publicists, and statesmen," who stand for "a renaissance of liberal principles."

I have not searched their writings through, but it would appear that no single term or convenient phrase has emerged which would distinguish them in popular parlance from Soviet sympathizers or enthusiasts of the New Deal or the British planned economy state.

"True Liberalism," a phrase used by Ludwig von Mises, seems to suggest, although it ought not to, something fixed in the past, to be adhered to rather than developed. And "the New Liberalism," while most natural as an abstract noun, provides no personal designation. A man can not very well call himself a New Liberal—especially since he will probably be old, and so will the New Liberalism, before he gets anywhere near his goal.

Of all the current ways of rebaptizing the word liberal Roepke's term "liberal conservative," once applied to the followers of Robert Peel, seems to me the most adroit. The noun is a frank admission that civilization is on the defensive; to be "progressive" in the direction the world is going is to be wrong.

The central effort of the free market economists is to conserve what they perceive to have been the indispensable frame and instrument of our progress in the past. And yet what they are conserving was associated in its earlier phase with the term liberalism, and its defenders were called liberals. The combination of these two honest words might put up quite a stout resistance, I should think, both to the atrocities of demagogues and the more subtle corruptions practiced upon language by history.

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"Radical Conservative" Defined

My own principal reflection is that "liberal conservative" has an arm-chairish flavor that is inappropriate to the fight we are in. The term "radical conservative," employed in a recent article by E. Merrill Root, sounds better. And it is more in accord with the suggestions made in this book. The Distributive State as an ultimate ideal, while it would conserve the values already achieved, is as radical as socialism was. A program of more goods and fewer people is far at least from reactionary. And to maintain an equilibrium of conflicting forces, cutting down any one whatever that tends to dominate society, is certainly a radical approach to the defense of freedom. I think "radical conservative" will meet the needs at least of the present situation.

CHAPTER VIII

The Religion of Immoralism

SINCE Stalin's death it has become necessary to find a new focus for our hostility to the unscrupulous and inhuman behavior of the Communists. I wish it might be focused on the real cause of the trouble: Marxism. Much force of argument is wasted among Western intellectuals through a wish to exempt Marx from responsibility for this return to barbarism. Realpolitik in the evil sense was certainly not born with Marx. But the peculiar thing we are up against, the casting aside of moral standards by people specializing in the quest of ideal human relations, *was* born with Marx. He is the fountain source of the mores as well as the economics of the Russian Bolsheviks, and is the godfather of the delinquent liberals in all lands.

False Ideas About Marx

The notion of Marx as a benign and noble brooder over man's hopes and sorrows, who would be "horrified" at the tricks and duplicities of present-day Communists, is as false as it is widespread. Marx had a bad character. His best eulogists can hardly think up a virtue to ascribe to him—except, indeed, tenacity and moral courage. If he ever performed a generous act, it is not to be found in the record. He was a totally undisciplined, vain, slovenly, and egotistical spoiled child. He was ready at the drop of a hat with spiteful hate. He could be devious, disloyal, snobbish, anti-democratic, anti-Semitic, anti-Negro. He was by habit a sponge, an intriguer, a tyrannical bigot who would rather wreck his party than see it succeed under another leader.

All these traits are clear in the records of his life, and above all in his private correspondence with his *alter ego* and inexhaustible sugar-daddy, Friedrich Engels. There are bits in this correspondence so revolting to a person of democratic sensibility that they had to be suppressed to keep the myth of the great-hearted Karl Marx, champion of the downtrodden and of human brotherhood, alive at all. . . . Only the Russian Bolsheviks, who went in for the religion of immoralism with a barbaric candor impossible to an urbane European, had the hardihood to publish these letters unexpurgated.

I use the word religion in a precise sense. Although he dismissed God as a hoax and the heavenly paradise as a decoy, Marx was not by nature skeptical or experimental. His habits of thought demanded a belief both in paradise and in a power that would surely lead us to it. He located his paradise on earth, calling it by such beatific names as the "Kingdom of Freedom," the "Society of the Free and Equal," the "Classless Society," etc. Everything would be blissful and harmonious there to a degree surpassing even the dreams of the utopian socialists. Not only would all "causes for contest" disappear, all caste and class divisions, but all divisions between city and country, between brain and manual worker. Men would not even be divided into different professions as they are at this low stage of the climb toward paradise.

"Socialism will abolish both architecture and barrow-pushing as professions," Engels assured the believers, "and the man who has given half an hour to architecture will also push the cart a little until his work as an architect is again in demand. It would be a pretty sort of socialism which perpetuated the business of barrow-pushing."

It would seem that only a benign deity could guarantee such a future to mankind, and only by teaching a higher morality could He lead us to it. But Marx hated deity, and regarded high moral aspirations as an obstacle. The power on which he rested his faith in the coming paradise was the harsh, fierce, bloody evolution of a "material," and yet mysteriously "upward-going," world. And he convinced himself that, in order to get in step with such a world, we must set aside moral principles and go in for fratricidal war. Although buried under a mountain of economic rationalizations pretending to be science, that mystical and antimoral faith is the one wholly original contribution of Karl Marx to man's heritage of ideas.

It is common among those who condemn the lowering of moral standards by Marxists to blame their "materialism" for it, but that is a crass mistake. Throughout history, from Democritus to Santayana, men who believed genuinely that the substance of the world is matter have been among the noblest teachers of morality. Marx's materialism was not genuine. It was the disguise of a mystical faith. The world he called "material" was mental enough to be forever ascending "from the lower to the higher" with a determinism that is hardly distinguishable from determination. Engels, who did the work and took the risk of actually expounding this naive philosophy—for Marx played it safe as well as lazy by only jotting down a few notes—even tells us that "the celestial bodies like the formation of the organisms . . . arise and perish and the courses that they run . . . take on eternally more magnificent dimensions."

Remembering that on this particular planet human society is also rising through successive stages to the "more magnificent" goal of the socialist society, you see what a godlike kind of "matter" it was that Marx believed in. It differed from Hegel's Divine Spirit only in agreeing with Marx about what *is* sublime, and in mapping out a course of procedure toward it that gave free exercise to Marx's rebellious and contumacious disposition. The universe of dialectic materialism—to put it briefly—is a pantheistic God masquerading as matter, and permitting Himself under that disguise forms of conduct that no God honestly named and identified could get away with in a civilized world.

The "God" of the Communists

Whittaker Chambers is very profoundly wrong when he says in his book, *Witness*, that the issue between Soviet Communism and the free world is between religion and irreligion, or between belief in man and belief in God. The Communists believe in man not as an independent power, but as a constituent part of the superhumanly ordained movement of the universe. That dialectic movement is their God, and it is that God who exempts them from the laws of morality.

The difference between Christianity and Communism—the difference, I mean, that is vital in this connection—is between a religion which teaches personal salvation through sympathy and loving-kindness and a religion which teaches social salvation through bringing the morals of war into the peacetime relations of men.

Marx was so sure that the world was going to be redeemed by its own dialectic evolution that he would not permit his disciples to invoke the guidance of moral ideals. He really meant it when he said the workers have "no ideal to realize," they have only to participate in the contemporary struggle. He expelled people from his Communist party for mentioning

. . . Lenin: "We must be ready to employ trickery, deceit, law-breaking, withholding and concealing truth"

programmatically such things as "love," "justice," "humanity," even "morality" itself. "Soulful ravings," "sloppy sentimentality," he called such expressions, and purged the astonished authors as though they had committed the most dastardly crimes.

Later in life, when Marx founded the First International, he felt compelled for the sake of a big membership to soft-pedal his highbrow insight into the purposes of the universe. He wrote privately to Engels: "I was obliged to insert in the preamble two phrases about 'duty and right,' ditto 'truth, morality, and justice.'" But these lamentable phrases—he assured his friend—"are placed in such a way that they can do no harm."

This mystic faith in evolution set Marx's mind free, and, alas, his natural disposition, to replace the honest campaign of public persuasion by which other gospels have been propagated, with schemes for deceiving the public and tricking his way into positions of power. It was Marx, not Lenin, who invented the technique of the "front organization," the device of pretending to be a democrat in order to destroy democracy, the ruthless purging of dissident party members, the employment of false personal slander in this task.

It was Marx and Engels who adopted "scorn and contempt" as the major key in which to attack the opponents of socialism, introducing a literature of vituperation that has few parallels in history. Even the political masterstroke of giving the land to the peasants "initially" in order to take it away from them when the power is secure came from the same source. The introduction of such unprincipled behavior into a movement toward the highest ends of man was entirely the work of Marx and Engels. Lenin added nothing to it but skill, and Stalin nothing but total instinctive indifference to the ends.

"Sanctifying" Marx

So strong a force was set going after his death to sanctify Marx, and *benevolize* him, so to speak, that these practices were largely forgotten among Western Socialists. His religion of immoralism was smoothed over. But in Lenin's mind this religion found a perfect home, for Lenin had grown up under the influence of the terrorist wing of the Russian revolutionary movement. Lenin was an ardent admirer of Nechayev, a rabid zealot of the 1870's who drew up a famous document called "Catechism of a Revolutionist."

> "The revolutionist is a doomed man. . . . He has severed every link with the social order and with the entire civilized world. . . . He hates and despises the social morality of his time. . . . Everything which promotes the success of the revolution is moral, everything which hinders it is immoral."

Nechayev was denounced even by his sufficiently violent colleague, the anarchist Bakunin, as a dangerous fanatic, who "when it is necessary to render some service to what he calls 'the cause' . . . stops at nothing—deceit, robbery, even murder." But Lenin startled his early friends by defending this madman and honoring his memory.

Thus before he became a Marxist, Lenin had arrived by an emotional road at that rejection of moral standards which Marx deduced from a pretended science of history. The confluence of these two streams of thought is one of the greatest disasters that ever befell mankind.

Lenin was even more credulous and more specific than Marx and Engels in describing the beauties of life in the paradise toward which this dialectic world was traveling. In his socialism every "barrow-pusher" and every kitchen maid was to take part in the function of government. He was also more specific in describing the kinds of vile conduct which must be employed to help it along. "We must be ready to employ trickery, deceit, law-breaking, withholding and concealing truth," he exclaimed. "We can and must write in a language which sows among the masses hate, revulsion, scorn, and the like, toward those who disagree with us."

The Disciples of Lenin

Acting upon such principles, Lenin made use of slanderous lies and character-assassinations; he encouraged bank robberies and armed holdups as a means of replenishing the funds for the millennium. His disciples have carried the faith forward, not stopping at any crime, from bodily assassination to state-planned famine and wholesale military massacre. A chief organizer of those bank robberies and holdups was the Georgian Djugashvili, who took the party name of Stalin.

The Marx-Leninist belief that such crimes are methods of progress toward a millennium was instilled in this youth from the day of his revolt against Christian theology. He had no other education, touched no other conception of the world. He was once described by Archbishop Curley as "the greatest murderer of men in history," and the record when it is calmly written may bear this out. But he took no step beyond the logical implications of a devout belief in brutal and dishonorable conduct. He merely followed through on the doctrine invented by Karl Marx, that in order to enter the "Kingdom of Freedom," we must set aside moral standards. We must place "duty and right . . . truth, morality, and justice," where "they can do no harm." Or, in Lenin's words (spoken to an all-Russian Congress of Youth): "For us morality is subordinated completely to the interests of the class struggle of the proletariat."

We have not entered, alas, the Kingdom of Freedom, and the Classless Society has failed to appear. Everything under the Communists moves in the opposite direction. But this religion of immoralism flourishes. The notion of an earthly paradise in which men shall dwell together in millennial brotherhood is used to justify crimes and depravities surpassing anything the modern world has seen. And this is true not only in Russia, but wherever the power of the Communist conspiracy extends.

In countries beyond the reach of Moscow the taint is carried by Communist parties to their fringe of accomplices, dupes, and fellow travelers; even the once-honest liberals are not immune to it. More and more throughout the world those dedicated to an extreme social ideal, instead of being trained in virtue, are trained to condone crimes against the elementary principles of social conduct.

Such a disaster never happened to humanity before.

No such religion ever existed. That is why our statesmen have been bewildered and outwitted by it. Even after thirty years of being assiduously swindled by the Kremlin, they find it hard to believe that any human animal can be, on principle and with devout and selfless fervor, a liar, a murderer, and a cheat.

They are now looking for some recrudescence of the old simple decencies in Malenkov and his associates. But they will look in vain. These men have been brought up in the same school. They are fanatics of the same antimoral and antiscientific religion. Only the disproof and dislodgment of Marxism will ever cure the world of its present desperate sickness.

CHAPTER IX

A Word About Marx and Machiavelli

IT IS customary to describe the new Marxian immoralism, and the devious and vicious conduct of its Soviet apostles, as Machiavellian. But that is a whitewash of Marxism and a slander against Machiavelli that, even in his least elevating counsels, he little deserves. These counsels of duplicity were addressed only to a "Prince," to whom he looked, not for ideal government in general—as to that he was a republican—but for the specific task of unifying the Italian nation in the circumstances of his time. It is one thing to suggest that in dominating a society regulated by aristocratic tradition and the mores of feudal caste, a prince may hold himself immune to moral judgments. It is a very different thing, in trying to pass from political democracy to a more ideally cooperative form of social union, to offer the same immunity to "the proletariat" conceived as the "great majority" of mankind. Machiavellian is not a suitable name for this, because the word suggests serious reflection. An insane act of self-frustration would be a better name for it—an injection of poison into the lifeblood of the society you are proposing to improve.

It is not sophisticated, but merely frivolous, to deny the political importance of moral character and moral principles. Of course they are important. But this does not require us to become mystical about conscience, or imagine that being good differs at bottom from being intelligent. If the whole causal nexus were known, moral judgments could hardly turn out to be anything more or better than scientific. It happens, however, that in social and political matters there exists no science, no detailed technical knowledge, capable of replacing the principles of common sense.

It is utopian to imagine that such a body of knowledge ever will exist. To those who strive only for power, that does not matter. But those who cherish civilization, or want to better it, will restore the judgment of men and their behavior to the position in political enterprise that it holds, and always has held, and always will hold, in practical and personal affairs.

Civilization itself is little but a set of learned attitudes and social habits. Chief among them is the demand men habitually make upon themselves and their associates for mutual respect of dignity, for truthful, kind, sincere, and loyal and honorable conduct.

Civilization is on the defensive now. It is fighting for its life. It needs, in order to fight well, a vision of the future, a sense of growth toward better things. It needs a young and courageous vanguard. But let us hope that the young and courageous, the new generation in whom hope always resides, will not mix their projects for the improvement of social life with a contempt for those elementary wisdoms which have made social life possible.

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CHAPTER X

Don't Kill the Goose

On Nov. 18, 1948, just after the presidential election that returned the Democrats to the White House, Mr. Eastman delivered an address to the annual convention of the American Federation of Labor at Cincinnati, Ohio. Never before published, the address forms the concluding chapter of Mr. Eastman's book, and is published in its entirety here.

I FEEL a little embarrassed to appear as a respected guest of the American Federation of Labor. In my palmy days as a revolutionary Socialist, I used to lie awake nights thinking up ways to insult this organization, denouncing it as the main obstacle on the broad highway to the cooperative commonwealth. My first editorial article, when we started the old *Masses* in 1912, was an account of the A.F.L. convention in Rochester, New York. That was the first one, I think, where the advocates of industrial unionism—led by Joe Cannon of the Western Federation of Miners, Max Hays of the Printers Union, and a few others—tried to get up a revolt against Sam Gompers. I, of course, was all for the revolt, but I wasn't too respectful either of the rebels or the Gompers machine. "Raisin' Hell in School" was the title of my article, and just for old times' sake I'll read you a couple of sentences from it:

"When one of Gompers' men intimated that Johnnie Walker, a leader of the revolt, was 'advocating free love and Fletcherism,' and Johnnie got up and started for him, Gompers screamed out: 'Return to your seat at once!' shaking his gavel at the culprit, for all the world like an irate schoolma'am with a ruler. He had a schoolma'am's manner, too, when the delegates finished reciting their lessons, of telling them whether they were right or wrong. He had the same disposition to sacrifice the true aims of the institution"—by that I meant the proletarian revolution—"to the necessity of maintaining discipline. Gompers got to waving his arms around in his excitement, and finally planted his fist square in the middle of the water-pitcher, giving everyone on the platform a liberal shower-bath. That put an end, for the time being, to the movement for industrial unionism."

Those were great days when the dream of universal freedom under a state-owned economy was still in the sky, when the down-to-earth experiment was still untried. I am not ashamed of my loyalty to that dream. Still less am I ashamed of the fact that when the experiment was tried, and instead of producing universal freedom, produced the most perfect tyranny in all history, I was still young enough, or honest enough—whatever it takes—to say so. Of that I am very proud.

And I haven't any qualms about giving you exactly the opposite advice from what I tried unsuccessfully to give Sam

. . . "The Government's whole Far Eastern foreign policy has been based on that Moscow-manufactured hoax"

Gompers late one evening in the lobby of a little old hotel in Rochester thirty-six years ago. My advice is: *Don't kill the goose that lays the golden eggs.* Capitalism is something of a goose from the standpoint of abstract reason and the ideal of perfection. It's easy to make game of that goose, and it's a lot of fun when you stay up in the sky. But she's the only creature on this earth that ever laid golden eggs, and in my humble but mature opinion she's the only one that ever will. My advice to organized labor is: Grab all the eggs you can get your hands on—of course—but watch out. Don't kill the goose!

However, I didn't come here to give advice to organized labor. For one thing, you're not just organized labor any longer. You're a great national power. I suppose you are, especially since the last election, the most powerful private organization in the United States. Together with that power I think you've got to assume a large responsibility. You've got to think less about the special interests of labor, and more about the problems of our national life as a whole. And our national life is so bound up in the complex of world politics that that means the world as a whole . . .

In the second place, you didn't invite me to this convention as an individual. It is only as a contributing editor of the *New Leader* that I came in for this honor at all. A contributing editor, as you know, is a man who never edits, and keeps the editors in a state of nervous prostration trying to get him to contribute. This puts me in a position to tell you, as the real editors could not, what a wonderful and really heroic institution the *New Leader* is.

Without any profit, financial or political, without any recompense whatever but the sense of a great duty well done, the *New Leader* has waged a twenty-five year war against communist infiltration in the labor movement. I don't know any other publication, and hardly another person, except maybe Bill Green and Matt Woll, Dubinsky, George Meany, and a few other of your peculiarly pig-headed officers, who has stood up as long and as resolutely against this insidious form of destruction. It has been a hard, and most of the time a lonely struggle.

Reds in Labor's Battle

It's not so lonely any longer. The people who can't see now that the Communists insert themselves into labor's battle only to win the power to enslave labor, and all the rest of mankind, to a new exploiting class are getting fewer and fewer. Indeed I'm not sure there there is anybody left who can't see this when he opens his eyes. I don't like to think that even Henry Wallace is so dumb he doesn't know where he's heading. You remember that mule the farmer sold at a very low price, a good, healthy, upstanding, athletic mule, but when the buyer turned to drive away, the mule ran straight into a tree.

"Looka here," he yelled, "this mule you sold me is blind!"

"Naw, he ain't blind," the farmer said, "he just don't give a damn!"

That's how I try to make intelligible to my mind the mental operations of a man like Henry Wallace.

Well, Wallace is out of our way now—at least for the time being. But that doesn't solve our problem. The fellow travelers are not the immediate difficulty. They are a danger for the future, but they are not what has got us into this planetary mess, and they are not what is keeping us there.

Ignorance at Washington—and what is more, voluntary ignorance—is the cause of that. They didn't know—they didn't want to know—what lay behind Stalin's sudden anxiety about democracy. They didn't want to know the real meaning of the so-called "dissolution of the Comintern," or the pro-capitalist twist in the American Communist party line. They didn't want to know that Stalin made his pact with Hitler in full knowledge that a war was to follow—a fact recently revealed to the world by the State Department, but which we in the *New Leader* had been shouting from the housetops since long before the war began. They didn't want to know that the Chinese Communists were hand-in-glove with Stalin in his plan to seize Manchuria, and then all China, and then all Asia, and then the world, for the totalitarian revolution. In spite of our documented revelations of the inside facts in this matter, they swallowed hook-line-and-sinker the transparent hoax that the Chinese Communists were some kind of middle-of-the-road agrarian liberals, who had no connection whatever with the Comintern.

Stalin and Manchuria

The government's whole Far Eastern foreign policy has been based on that Moscow-manufactured hoax. I'm not sure the truth has sunk into General Marshall's mind yet, although last week Mao Tse-tung himself, the leader of the Chinese Communists, proclaimed in an international broadcast his absolute solidarity with Stalin in the "world revolutionary united front headed by the Soviet Union." Now that Manchuria is safe in his hands, and the hoax no longer needed, this faithful emissary of the Gangster-God in the Kremlin spits on Secretary Marshall, spits on Edgar Snow of the *Saturday Evening Post*, spits on Vera Micheles Dean of the Foreign Policy Association, spits on Owen Lattimore and the Institute of Pacific Relations, by shouting to the whole world that the idea of any "middle road" or "third road" between communism and capitalism is "utter hypocrisy and total bankruptcy."

All this was understood and explained in the *New Leader* with irrefutable documentation week by week throughout the war. My article, "The Fate of the World Is at Stake in China," was also published in the *Reader's Digest*, and that over three years ago.

But nobody at Washington paid any attention to us, except to denounce us as Red Baiters, Embittered Radicals, or people assumed to be spending their nights and days in the childish pursuit of hating Joe Stalin. Ignorance at Washington. They didn't know and they didn't want to know. They wanted to kid themselves. They wanted to be duped. And one of the master dupesters of all time was sitting in the Kremlin grinning at the way they fell for his tricks. He's sitting there now, pulling a big fracas in Berlin in order to distract their minds while he consolidates his hold on Manchuria and builds his own impregnable Ruhr in the Far East.

The plain truth is that, in setting out to wage a planetary war in defense of democratic civilization against the advancing epidemic of totalitarian police states, our statesmen lacked the mental force, or force of character, to face the known facts which would have made it possible to attain the objective for which the war was fought.

I am not talking about the Democratic administration here. I am not sighing over the disappointed hopes of Thomas E. Dewey, or any other Republican. I wish I were. I wish there

. . . "The fate of the unions in Russia is far worse than destruction. . . . In Russia all the unions are company unions, and the company is the state"

were any one American leader, Republican or Democrat, who had possessed the penetration and moral courage to talk truth all through this period of self-deception as a world policy. No, the Republicans have been just as ignorant, and more reprehensible, for they were the opposition. It was their natural function to study up and expose the substitution of Sunday School sentimentalism for informed diplomacy which has brought us up to the edge of another war. Instead, they joined in the hymn singing. They chimed with the Democrats in what has been mistakenly called a bipartisan foreign policy. It was a bipartisan no-foreign policy. That is what this country and the world it tried to save has suffered from, and still is suffering from—a non-partisan no-foreign policy.

In all that concerns the Soviet Union the sole plan was to express soft sentiments and hide our minds from hard facts. Now we have abandoned the soft sentiments, but we haven't yet faced the hard facts.

I propose that we draw a big breath right now and face the essential facts on which an American foreign policy ought to be based. There are only three of them. It's very simple once you get your courage up.

First: Stalin's totalitarian police state is not an approximation to, or something like, or in some respects comparable with Hitler's. It is the same thing, only *more* ruthless, *more* cold-blooded, *more* astute, *more* extreme in its economic policies, *more* explicitly committed to world conquest, and *more* dangerous to democracy and civilized morals.

There are no mitigations of this fact. The Communists pretend that labor occupies some peculiar and privileged position under the Soviet dictatorship. Hitler abolished the trade unions, they say, Stalin preserved them. Stalin did not have to abolish the unions because he had them sewed up in a bag, with all the strings in his hands. That is what I mean by saying that his tyranny is more astute than Hitler's was.

Labor Under Totalitarianism

This process of boring from within, this attempt of the Communists to get control of the unions by placing disciplined party members in key positions, which you, thank God, are vigorously resisting today, isn't merely a propaganda maneuver. It isn't merely a capture of strategic positions for the insurrectionary seizure of power. It is the laying down of the foundations of the totalitarian state. Once the power is seized, and the party becomes the state, if this infiltration process has been completed, the trade union movement is paralyzed absolutely. Labor becomes an abject and impotent tool in the hands of the state, and of the new exploiting bureaucracy that runs the state.

The fate of the unions in Russia is far worse than destruction. They are flourishing, and their whole strength is dedicated to the opposite aim from that which they were created to serve—the total subjection and absolutely unresisted exploitation of labor. We know from statistics that wages are lower, and the worker's life poorer in Russia than anywhere else in the modern world. But few realize that this political trick of party control by infiltration in the unions is the cause of it. In Russia all the unions are company unions, and the company is the state. It is not only impossible to strike, it is impossible to wiggle a finger of protest against the state-regulated hours, wages, and conditions of labor. The state is not only the employer—it is employer, strike-breaker, private detective and public police force all rolled up in one.

Another way they have of kidding you that there's a millennium behind the Iron Curtain is to say there's no unemployment under the state-owned economy. There's no "army of the unemployed" to keep wages down. We don't know how much unemployment there is in the Soviet Union, but we know that wages are kept down by an army of slaves that makes unemployment look like a Sunday School picnic.

Slavery in Russia

The worst fact in modern history, strangely enough, is the least talked of: the reintroduction into the civilized world of human slavery in its most cruel and brutal form. Hitler attempted this on the ancient Roman plan, enslaving aliens, or supposedly "inferior races." He failed because the inferior races defeated him in war. But Stalin, who does not believe in racial inequality, has enslaved his own fellow citizens on a scale not seen before since the world began.

There are, according to the most conscientious estimates, fourteen million slaves in GULAG, the slave empire ruled by the Soviet State Police. That is more than the total population of New York State, including Manhattan. It is more than the total number of unenslaved industrial workers in the Soviet Union itself. Which means that the whole so-called socialist economy rests down on the institution of human slavery.

These slaves live in corrals surrounded by stockades topped with barbed wire, watched day and night by machine-gun men in turrets with powerful searchlights and packs of ferocious dogs to pursue the runaways. They do the heaviest, toughest, most grueling and freezing labor, men and women alike: lumbering, mining, forest clearing, road, railroad, canal, airdrome and factory construction. One of their major industries is building additional corrals and barracks for new slaves.

Their labor power is cheap, constant, controllable, "indifferent" (as they say) to climate. It can be transported in freight cars in immense unresisting droves like cattle. It can be used up without worry over capital invested. For these Soviet slaves cost nothing to their owner, the MVD, whose agents simply pick them up on the street, or drag them out of their beds at night.

This cheap labor has become so essential a factor in the economy of the Soviet state that, when the supply runs low, the MVD has been known to issue to each of its local branches a quota of people to be arrested as "socially dangerous elements." For that is the rubric under which the job is done. *Sozialno opassniye elemyenti*—that's all they have to call you.

Doesn't this make a mockery of the pretense that state ownership has solved any real problem—least of all the problem of unemployment? There are more *permanently enslaved* workers in the Soviet Union than there were *temporarily* unemployed workers in the United States during the most desperate years of the depression. It is to hide these facts that the Iron Curtain was pulled down in 1935, and it will stay down as long as there are eyes of free men left in the world to see what monstrous thing has befallen mankind in the name of socialism.

That is the state of things in Russia. That is the first

. . . "For three years after the war our statesmen continued to delude themselves that there was something mysterious and enigmatic about Stalin's intentions"

fact which every political leader, and every leader of opinion in the United States is, to my thinking, in honor bound to know, and to confront clearly and bravely, before he utters a peep about world politics, or about any great public question.

The second fact is that the heads of this slave-driving police state are fanatically determined to seize power throughout the world and make over all human society in the image of their state. More exactly, they believe that history is going to accomplish this change, and they are the agents chosen by the historic process to carry it through. There is not, and never has been the slightest doubt about this fact. And yet for three years after the war our statesmen continued to delude themselves that there was something mysterious and enigmatic about Stalin's intentions. Senator Vandenberg described the Soviet foreign policy as "the supreme conundrum of our times." And I was amazed to see in the *New York Times* magazine only two weeks ago the statement that Stalin differs from Hitler in that Hitler frankly wrote down and published his plans and Stalin did not.

Stalin's plans were written down and published long before Hitler's, and only a man who can't read has any excuse for not knowing what they are. They are published in books signed by him, currently revised by him, and translated by his authorization into all civilized languages, selling in millions of copies and adhered to as a textbook and campaign book by his followers in every corner of the globe.

Stalin on Coexistence

Here, in one sentence from Stalin's book, *Problems of Leninism*, is the immutable bedrock of Soviet foreign policy:

"It is inconceivable that the Soviet Republic should continue to exist for a long period side by side with imperialist states—ultimately one or the other must conquer."

Imperialist states means us. And this, mind you, is not something Stalin said in the 1920's, or before the war, or after the war, or last week, or yesterday. It is what he is saying right now in thirty languages to hundreds of millions of people. The book containing this notification of our doom is being shipped about our country in an excellent English translation that sells for twenty-five cents a copy. Has Secretary Marshall read it? Has President Truman or Governor Dewey read it? I see no sign in their speeches that they ever even heard of it.

"What is the Soviet Union," Stalin continues, "what is our country as it builds socialism, but a base for the world revolution?"

And, does anybody ask whether such a revolution can be accomplished without violence and without dictatorship?

"Obviously not." (I am still quoting.)

And, what is dictatorship? "The scientific concept, dictatorship, means nothing more or less than power which rests on violence which is not limited by any laws . . . Dictatorship means power resting on violence, not on law."

That, in words quoted as gospel from Lenin, is Stalin's blueprint for the future of our country. That, from his own lips, is his foreign policy.

And he doesn't want any confusion about it among his American disciples. He doesn't want them to take seriously the hocus-pocus about peace and democracy with which he pulls the wool over the eyes of our leaders. So he had his deputy, Andrei Vishinsky, as soon as the war ended, make a speech in which he recalled these explicit texts of Lenin and gave notice that they are still in force. And, at the risk of all America reading it—even, by some prodigious accident, our great diplomats—he had the speech translated into English and published in the bulletin of the Soviet Embassy in Washington.

Just let me read you a sentence from that bulletin, dated November 17, 1945:

"Lenin exposed the sweet-sounding nonsense about a calm and smooth development of bourgeois society into socialism—nonsense to the effect that it is not in the fires of battle, not by means of revolutionary struggle, but in reconciling and smoothing out class contradictions that the socialist transformation of the state is to be effected.

"Lenin developed the teachings of Marx in the important question of smashing the bourgeois state apparatus."

Now, anybody who ever looked into the writings of Lenin, and followed their application by Stalin, knows what that phrase means, "smash the bourgeois state apparatus." It means in the United States seize the public buildings and purge them of every official and every clerk and every clerk's assistant who is loyal to the ideals, or imbued with the habits of free enterprise and representative government; go into the buildings and clean them out at the point of a bayonet, disinfect them of democracy by summary executions and prison camps, and establish a ruthless one-party dictatorship in this country which will take over and run our commerce, our industry, our labor unions, our every last little sewing circle and society for the conservation of bird life. That's what it means.

Well, I rather insolently accused this government of ignorance, and I want to give you a concrete example.

Russia and the U. N.

I have shown you in his own words what Stalin's plan for the United States is. Now, I want to read you the attitude which Secretary Marshall takes to that blueprint of our future. He was appearing before the House Committee on Foreign Affairs last spring to oppose a proposal to revise the charter of the United Nations in such a way as to make the Soviet Union either fish or cut bait, either come in on a movement to protect world peace or get out—a very sensible and practical proposal which was endorsed by a large number of senators as well as representatives. Secretary Marshall opposed. He said:

"Since the adoption of the charter in 1945 it has become progressively clearer that serious misconceptions prevail in the minds of the leaders of the Soviet Union concerning Western civilization. It is a misconception to suppose that differing systems cannot live side by side in peace under the basic rules prescribed by the charter of the United Nations. These rules are obligatory upon all members. A fundamental task of our foreign policy is to dispel the misconceptions of the Soviet leaders."

"It has become progressively clearer . . ."

Was there anything unclear in those sentences I read to you from Stalin's book, the Bible of the communist revolution? Did those things I read to you sound like misconceptions? They are not misconceptions, and they are not conceptions, either. They are fixed, fanatical, deeply grounded,

. . . "There will be no peace on earth as long as the Communist regime survives in Moscow"

hundred-year-old passionate purposes—purposes to destroy our world and build a different one in its place. And I think it is plainly obvious that Secretary Marshall never read the book, or any of the books, the whole library of books, in which this purpose has been discussed back and forth for a hundred years.

I have the highest esteem for General Marshall as a soldier, a man who played a major part in defeating one totalitarian state at war. As a Secretary of State, a foreign minister engaged in trying to defeat another at peace, he simply doesn't pass the examination at all. He gets a low "D" for having neglected his homework, for trying to get by as Secretary of State of the United States without studying. That's why I say that ignorance at Washington is the basic cause of our trouble.

Stalin regards this situation, which we call peace, or an attempt to make peace, as a truce between the Soviet Union and her enemies. He always calls them "our enemies"—the Western democracies. He will employ that truce to jockey for every position, both in our country and outside of it, which will enable him or his followers, or their successors, when the hour strikes, to seize the power in this country, overthrow our government, and establish a one-party dictatorship. And in this process he will be withheld by no principles of honor or morality whatever.

Stalin as Lenin's Pupil

Stalin has often boasted himself an obedient pupil of his master, Lenin. Lenin advocated trickery and lies and smear campaigns, and absolute immorality as a method of politics, just as explicitly as Hitler ever did. "Communist morality," he said, "is identical with the fight to strengthen the dictatorship of the proletariat." He made that statement to an all-union congress of communist youth. That was what he had to say about morality to the children of Russia. Think of it! And Stalin was brought up almost from boyhood in this doctrine.

From the days when he robbed banks and bombed bank agents in order to replenish the treasury of the Bolshevik party to this present time when he seizes capitalist nations under the pretense of anxiety for security or distrust of the warmongers, he has been guided absolutely by Lenin's principle of the subordination of moral principle to the principle of expediency in the grab for power.

Stalin's chief trickery and deceit at the present moment is to pretend that it is America and not the Soviet Union which is trying to conquer and dominate Europe and the world, to pretend that he distrusts our motives, including the Marshall Plan or the Truman policy. The only thing Stalin distrusts about America is the miracle of our gullibility. He doubts whether we will continue forever to misunderstand his purposes or imagine that there is something enigmatic about his foreign policy. He is afraid that some day we will turn the page from his public pronouncements about peace and democracy to his private instructions to his own followers as a totalitarian Marxist, to the people upon whom he depends to carry out his aims. He is afraid that in that process some day we will just turn the page and read in his own words, quoted from his master, Lenin, this basic statement:

"It is inconceivable that the Soviet Republic should continue to exist for a long period side by side with imperialist states—ultimately one or the other must conquer."

Or, in words whose rhythm is more familiar to our ears: "Civilization cannot long survive half totalitarian and half free."

No Peace With Reds

That statement should be the basis of our foreign policy as it is of Stalin's. We must repeat to ourselves with all force and solemnity, until there isn't a flicker of self-deception left, until there isn't any least intention to creep under or creep out of the truth of it—we must repeat this statement: "There will be no peace on earth as long as the Communist regime survives in Moscow."

That's the third fact which I call upon you to confront today. I think it flows with unanswerable logic from the other two. So long as the Russian people and the people of the satellite nations are held in the grip of this totalitarian one-party tyranny and drilled in the impassioned dogmas of the Marxist-Lenin-Stalinist doctrine of world domination we will never get out of the nightmare in which we live. Until an American statesman comes along who has the grit, and the fighting pluck and the pride of power to see this fact and base his foreign policy on it, neither peace nor democracy will ever get a firm foothold on this earth.

This doesn't mean that war is inevitable between the United States and the Soviet Union. War is inevitable if we continue the policy of self-deception, if in the foolish attempt to make one world out of two we let Stalin drive us back and back until we have to fight a war of national survival. We saw that happen in the case of Hitler and we paid the cost. Let's not make that mistake again.

We must be well and fully armed. We must learn to think of international problems as the Marxists do—in the terms of material force, not Christian persuasion. We must indeed prepare for war. But that we are doing. What we are not doing is using the instruments of peace in order to stop the Soviet expansion and bring on the day when this tyrannical regime will be overthrown either by a patriotic putsch or a popular revolution.

That is what we must do. The chief instrument of course is the United Nations. Stalin is using the United Nations as an instrument to destroy itself, a sounding board to rally the masses for the totalitarian world revolution. We must use it as an instrument of democracy, a sounding board to rally the masses of the satellite nations who hate their oppressor, and the Russian people. And we must use other and unorthodox methods.

We must use all the methods to promote a democratic world revolution that Stalin uses to promote a totalitarian world revolution, except those which involve deceit and distrust, a manipulation instead of an enlightenment of the people. And we must never forget and never let the world forget that our allies in this undertaking are the oppressed people, or more particularly the opposition, the silent or exiled opposition parties and leaders of the people in the countries oppressed by the tyrant, not excepting Russia itself.

Either we will adopt this astute and informed diplomatic offensive or we will be backed into a belated and blundering defensive war. I can see no other alternative except to surrender our free, rational, kindly and democratic way of life, surrender civilization itself, and bow down to the gangster-god.

(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.)

THE SIN OF YALTA

BY DAVID LAWRENCE

THE SIN OF YALTA was not contained in the offhand comments by heads of governments as revealed in the Yalta papers.

The sin was imbedded in the secret decisions to carve up and award territories before World War II itself was ended.

The sin was in the flagrant denial of a great principle—the right of peoples everywhere to establish governments of their own choosing.

This betrayal of human rights has since been perpetuated at other international conferences—at Panmunjom and at Geneva—where the people of North Korea and the people of Northern Indo-China, respectively, were condemned to slavery. It is the same tyranny that was imposed in 1945 upon the peoples of the so-called satellite states of Eastern Europe.

Are we about to repeat the vice of Yalta and engage again in more of these four-power conferences where the President of the United States makes agreements committing the American people to courses of action on which they have no opportunity to vote through their elected representatives in Congress?

It was the violation at Yalta of the spirit and the letter of the Constitution of the United States which left a blot on American history.

Although the official records of the Yalta conference were withheld from the American people under one pretext or another for ten years, it is amazing that there are misguided Democrats in Congress today who are assailing their own government for bringing about at last the release of the Yalta papers.

Naturally, European statesmen favor suppression. They have been steeped for centuries in the artifices of secret diplomacy. They believe in expedient deals made in the privacy of such conferences as have been held at Teheran, Yalta and Potsdam.

America has three times in history been caught in the same dilemma—the sacrifice of many thousands of American lives for professed ideals only to see such ideals abandoned at the conference table.

The famous Fourteen Points constituting the war aims of the Allies in World War I—including the right of self-determination of peoples and the demand for "open covenants openly arrived at"—were torn up at Versailles in 1919.

The famous Atlantic Charter—pledging, as one of the war aims of World War II, the right of all peoples freely to choose their own government—was torn up at Yalta in 1945.

The famous resolution of the United Nations in 1951 declaring Red China an aggressor in Korea was torn up at Geneva in 1954. The same aggressor was awarded possession of a vast area in Indo-China while millions of innocent people were delivered into bondage.

The Constitution vests in the President of the United States the right to conduct relations with other governments. But it vests also in the Congress—as a coordinate branch of the Government—the right to declare war and to "advise and consent" in the making of treaties of peace.

There were no representatives of the Congress of the United States present at the Yalta conference.

There were no members of the press admitted to the Yalta meetings to tell the people of the world in detail what their representatives were doing.

It is not difficult to understand why some European newspapers are shocked by the persistent pressure in America to compel the publication of the long-suppressed documents of the Yalta conference. The American attitude toward full publicity of the public business is rooted in the concept that the people do not delegate to a single ruler the right to make commitments in their behalf.

The European idea, on the other hand, seems to be that the head of a state is a sort of absolute monarch, and even now the talk there is of a "big four" conference "at the summit."

The American people do not recognize that anybody with sovereign power sits in for them "at the summit," or anywhere else.

Ambassadors and ministers of the United States are stationed in all the capitals of the world. This is an informal and confidential means of communication. Any proposals that can lead to a better understanding in the world among nations can be made to or by such diplomatic representatives and can be referred to the President and the Congress for approval or disapproval.

There is no right on the part of the President to sit down with any foreign ruler and make a binding agreement unless Congress has delegated such particular power to him, or unless there is an opportunity for the Senate to advise for or against ratification.

The sin of Yalta was its secrecy and its disregard for moral and constitutional principles. A few individuals usurped the power that belongs only to free peoples. Nobody should be permitted to barter away the ideals of the American people on the altars of expediency.

this PAKISTAN STAKE RACE

1 **"I'm no stranger to horses,** but even years of polo-playing didn't prepare me for Pakistan's hard-riding tent-peggers," writes John McGarry, an American friend of Canadian Club. "Pathan guardsmen I met in Karachi introduced me to this furious pastime of the Bengal Lancers. Object is to charge full-tilt down a 100-yard course, pierce a well-planted stake with your lance and carry it across the finish line. Closest I came wasn't close at all.

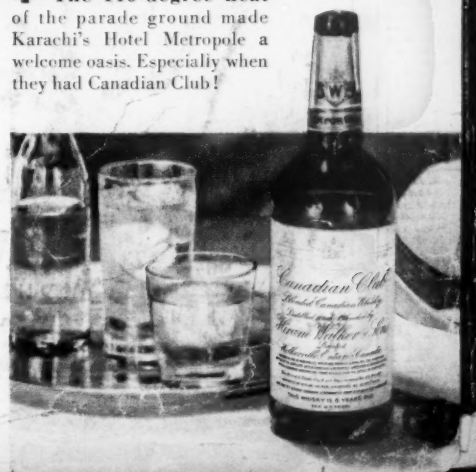
2 **"'The faster you gallop** the better your chances,' Bashir Ahmad advised as he showed me how a stake is impaled on a lance-point. But six futile passes made me wish I'd stuck to hobby horses.

3 **"I sidelined myself** for a good look at the guardsmen's technique, and saw horsemanship any polo player could envy. The men rode four abreast at stakes set only eight feet apart. One turbaned daredevil took his peg *narrow side on;* his Arab steed never slackened its pace.

4 **"The 110-degree heat** of the parade ground made Karachi's Hotel Metropole a welcome oasis. Especially when they had Canadian Club!

5 **"Karachi is a booming port** of call for Pan American World Airways Clippers. Here, as everywhere, Canadian Club has a loyal following."

Why this worldwide popularity? Canadian Club is *light* as scotch, *rich* as rye, *satisfying* as bourbon. Yet it has a distinctive flavor that is all its own. You can stay with Canadian Club all evening long . . . in cocktails before dinner, and tall ones after. There is *one* and *only one* Canadian Club, and *no other* whisky tastes quite like it in all the world.



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